

Policy Implementation in a Transition Economy: Two Decades of Small and Medium Enterprise (SME) Development in Ukraine

A thesis submitted in partial fulfilment of the requirement for the degree of Doctor of Philosophy in European
Studies

by Ruth Fischer-Smith

National Centre for Research on Europe, University of Canterbury 2014

Table of Contents

1	Introduction: Policy Implementation in a Post-Soviet Context	1—1
1.1	Policy implementation	1—2
1.2	Small and medium enterprises	1—3
1.3	Post-communist transition nations.....	1—4
1.4	SMEs in post-communist transition nations	1—5
1.5	SME policy in transition nations: A new model for implementation measurement	1—7
2	Research Design and Methodology	2—10
2.1.1	Research questions	2—10
2.1.2	Research Objectives	2—10
2.1.3	Hypotheses.....	2—11
2.1.4	Research Variables	2—11
2.1.5	Definitions	2—12
2.2	Research basis.....	2—13
2.3	Research methods.....	2—14
2.3.1	Fieldwork preparation.....	2—16
2.3.2	Case study selection.....	2—16
2.3.3	Data collection	2—18
2.3.4	Interviews.....	2—18
2.3.5	Surveys	2—20
2.4	Methods of Analysis.....	2—21
2.4.1	Policy process tracing.....	2—21
2.4.2	Interview coding.....	2—21
2.4.3	Data analysis: quantitative data.....	2—22
2.4.4	Limitations.....	2—22
3	Historical Trajectories and New Directions: A Review of the Policy Implementation and SME Literature	3—25
3.1	Part I - Policy implementation studies	3—25
3.2	Evolution of policy frameworks and sub-disciplines.....	3—26
3.3	Policy implementation criteria.....	3—29
3.4	Implementation studies in geo-political contexts	3—32
3.5	Policy implementation in transition nations.....	3—33
3.6	Part II - Institutions, public governance and Soviet leftovers: a review of the SME literature.....	3—34
3.7	Public policy for SMEs: A balance between public and private support.....	3—38
3.8	Macro and micro level policies	3—38
3.9	SME policy in a transition context: Administrative and institutional obstacles	3—39
4	Case Study - Ukraine: Institutional Inconsistencies	4—46

4.1	Ukrainian SME policy conditions.....	4—47
4.2	Political system	4—53
4.3	Presidential administrations	4—53
4.3.1	Kravchuk.....	4—53
4.3.2	Kuchma.....	4—54
4.3.3	Yushchenko	4—56
4.3.4	Yanukovich	4—57
4.3.5	Poroshenko	4—58
4.4	Regional considerations	4—58
4.5	International relations	4—60
4.5.1	Ukraine-EU relations	4—60
4.5.2	Ukraine-Russia relations	4—62
4.5.3	Other international relationships	4—64
4.6	Conclusion.....	4—65
5	The Simplified Single Tax for Entrepreneurs: A Policy Case Study	5—72
5.1	Policy timeline.....	5—72
5.2	Policy agenda setting	5—75
5.3	Key actors.....	5—78
5.3.1	Individual actors.....	5—78
5.3.2	Domestic organisational actors.....	5—83
5.3.3	International organisational actors.....	5—87
5.4	Implementation mechanisms	5—91
5.5	Reactions of key informants: Assessing implementation criteria.....	5—96
5.5.1	Cause and effect.....	5—96
5.5.2	Active support.....	5—98
5.5.3	Clear authority	5—99
5.5.4	Small number of players	5—101
5.5.5	Mutual understanding and commitment	5—102
5.5.6	Communication and coordination	5—103
5.5.7	Available resources	5—105
5.5.8	External events.....	5—106
5.6	Analysis	5—107
5.7	Conclusion.....	5—109
6	State Committee of Ukraine for Regulatory Policy and Entrepreneurship (SCURPE): a policy case study	6—115
6.1	Policy timeline.....	6—115
6.2	Policy agenda setting	6—117

6.3	Key Actors	6—119
6.4	Implementation mechanisms	6—121
6.5	Reactions of key informants: Assessing implementation criteria.....	6—125
6.5.1	Cause and effect.....	6—125
6.5.2	Active support.....	6—126
6.5.3	Clear authority	6—127
6.5.4	Small number of players	6—129
6.5.5	Mutual understanding and commitment	6—131
6.5.6	Communication and coordination	6—131
6.5.7	Available resources	6—133
6.5.8	External events.....	6—134
6.6	Analysis	6—134
6.7	Conclusion.....	6—136
7	Data presentation and summary	7—139
7.1	Respondent statistics.....	7—140
7.2	Regional variations in the data	7—140
7.2.1	Central Ukraine	7—140
7.2.2	Southern Ukraine	7—141
7.2.3	Eastern Ukraine.....	7—142
7.2.4	Western Ukraine	7—143
7.3	Longitudinal views of SME operating conditions: Cross-regional comparison.....	7—144
7.3.1	Central Ukraine	7—145
7.3.2	Southern Ukraine	7—146
7.3.3	Eastern Ukraine.....	7—148
7.3.4	Western Ukraine	7—150
7.3.5	Presidential Administrations.....	7—152
7.4	Demographic variations in the data: Longitudinal views of SME operating conditions.....	7—156
7.5	Quantitative Data.....	7—158
7.6	Preliminary Conclusions.....	7—162
7.6.1	Simplified Single Tax.....	7—162
7.6.2	SCURPE.....	7—163
7.6.3	Overall business environment	7—164
8	A new model for policy implementation in post-Soviet states: Implementation is a two-way street.....	8—166
8.1	Research hypothesis	8—166
8.2	Newly proposed criteria.....	8—168
8.2.1	Learning and best practice.....	8—168

8.2.2	Mechanisms and incentives	8—173
8.2.3	Political appeasement policy	8—179
8.2.4	Fits social milieu	8—182
8.2.5	Incorporates stakeholder input	8—186
8.2.6	Bureaucratic corruption is minimal	8—191
8.3	Fischer-Smith Policy Implementation Model for Post-Soviet States (FSPIMPS).....	8—194
8.4	Analysis: Revisiting the research hypothesis	8—198
8.5	Research limitations.....	8—198
8.6	Conclusion.....	8—200
9	Conclusion: A renewed look at old puzzles.....	9—203
9.1.1	SME institutional infrastructure.....	9—203
9.1.2	Policy styles matter	9—205
9.1.3	Governance	9—205
9.1.4	SME advocacy networks	9—206
9.1.5	Leadership.....	9—207
9.1.6	Degree of policy complexity.....	9—208
9.1.7	Political time	9—209
9.2	Final conclusions	9—210
9.2.1	Future research directions	9—211
	Appendix A – Interview and survey questionnaires	215
	Appendix B – Quantitative survey data	221
	Appendix C – Statistical survey data	227
	Appendix D – Ukrainian State Statistical Committee Data	233

Introductory Materials

Acknowledgements

As with any large project, this research benefitted from assistance of many individuals and organisations throughout its course. Those who offered editing and scholarly assistance included Dr Bob Hamilton, Dr David Smallbone, Dr Sini Miller, and Dominika Panzer. Peter Kennedy and Janette Nicholle from the University of Canterbury library were extremely helpful in tackling technical difficulties with bibliographic software, as were Albert Yee, Tim Jackson and other staff from the University of Canterbury IT department. The research funding provided through the European Union Centres Network and the Fulbright Program was another critical part of the process, providing the opportunity to engage in academic exchanges as well as to conduct extensive fieldwork. The review process is indebted to Dr Geoffrey Dudley (University of Oxford) and Dr Matt Killingsworth (University of Tasmania) for their comments and suggestions. Finally, completion of this dissertation would not have been possible without the patient guidance of the thesis' primary supervisor, Dr Jeremy Richardson and additional direction from Dr Natalia Chaban. Lastly, with any large project it helps to have solid family support and for this I thank my dear husband Adam and son Markian.

Abstract

Current theoretical frameworks for assessing policy implementation have been developed almost exclusively in the context of market-based, pluralist democracies. The lack of applicable implementation theory outside this 'western' setting inspired this research to investigate policy processes in more diverse contexts. This research thus applied existing implementation theory to the post-Soviet sphere, utilising current frameworks to test conditions in a post-communist context. This policy lens approach was applied through two in-depth case study policies within the small and medium enterprise (SME) sector, in order to improve practical understanding of the ongoing transitional complexities in the region. The choice of SMEs as policy targets shed particular light on the development of the middle class, which in turn contributed insights regarding post-Soviet nations' continued transition towards more liberal democracies. This research examined implementation effectiveness through fieldwork conducted in Ukraine (2012), using an amalgamated list of criteria for 'perfect' policy implementation as a theoretical framework (Allison & Halperin, 1972; Gunn, 1978; Mazmanian & Sabatier, 1983). Empirical data was collected through both qualitative and quantitative methods, including interviews (141), surveys (178) and primary source collection. Data was analysed through a combined approach of interview coding, process-tracing and cross-tabulation. Findings confirmed that incorporating certain socio-economic features, specific to a post-Soviet environment, into existing implementation models resulted in a more accurate picture of actual policy processes. Research conclusions thus included a new theoretical model for assessing policy implementation effectiveness in the region (Fischer-Smith Policy Implementation Measurement for Post-Soviet States). For theoreticians, this research may inform structural considerations when conducting policy research outside of a pluralist democracy. For practitioners, it may allow for better identification of implementation obstacles, in order to more effectively target mitigation efforts. Ultimately, the new considerations presented in this thesis may inform the wider field of policy implementation studies, both in transition regions and developing nations, as well as in the western pluralist societies where implementation theory originated.

References Cited

- Allison, G. T., & Halperin, M. H. (1972). Bureaucratic Politics: A Paradigm and Some Policy Implications. *World Politics*, 24, 40-79.
- Gunn, L. (1978). Why is Implementation so Difficult? *Management Services in Government*, November.
- Mazmanian, D. A., & Sabatier, P. A. (1983). *Implementation and public policy*. Glenview, Ill.: Scott, Foresman.

Acronyms and common translations

AIC	Amalgamated Implementation Criteria
AA	Association Agreement
AEOU	Associations of Employers' Organisations of Ukraine
CIPE	Center for International Private Enterprise
CIS	Commonwealth of Independent States
CIS SES	Commonwealth of Independent States Single Economic Space
CECMU	Council of Entrepreneurs under the Cabinet of Ministers of Ukraine
CoE	Council of Europe
EaP	Eastern Partnership
EBA	European Business Association
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECA	Europe and Central Asia
EEAS	European Union External Action Service
EIB	European Investment Bank
ENP	European Neighbourhood Policy
EU	European Union
IER	Institute for Economic Reporting
MF	Ministry of Finance
MRD	Ministry of Duties and Revenues
NISS	National Institute of Strategic Studies
OECD	Organisation for Economic Cooperation and Development
OSCE	Organisation for Security and Co-operation in Europe
Oblast'	Province
PCA	Partnership and Co-operation Agreement
PFI	Property and Freedom Institute
RFSE	Regional Fund for Support of Entrepreneurship
SCURPE	State Committee of Ukraine for Regulatory Policy and Entrepreneurship
SOE	State Owned Enterprise
STA	State Tax Administration
UFSE	Ukrainian Fund for Support of Entrepreneurship
UAH	Ukrainian Hryvnia
Ukrainian SSR	Ukrainian Socialist Soviet Republic
ULIE	Ukrainian League of Industrials and Entrepreneurs (ULIE)
SPMSPPU	Union of Entrepreneurs of Small, Medium-Sized and Privatized Enterprises of Ukraine
USSR	Union of Socialist Soviet Republics
VR	Verkhovna Rada

Summary of tables

Table 1.1	Ease of doing business – worldwide rank
Figure 2.1	Creation of Amalgamated Implementation Criteria (AIC)
Figure 2.2	Interview locations
Table 4.1	Business environment comparative indicators
Table 4.2	SME density in Ukraine
Figure 4.3	Ease of doing business – regional comparison
Table 5.1	Key individual actors (Single Tax)
Table 5.2	Key organisational actors (Single Tax)
Figure 5.3	Individual and Organisational Actor Relationship Map (Single Tax)
Figure 5.4	Primary authority for implementing Single Tax policy – Cross-regional comparison
Figure 5.5	Primary authority for implementing Single Tax policy – Cross-demographical comparison
Table 6.1	SCURPE leadership
Figure 6.2	Primary authority for implementing SME development policy – Cross-regional
Figure 6.3	Primary authority for implementing SME development policy – Cross-demographical
Figure 6.4	Comparison of two primary authorities for SME development – Cross-regional
Figure 6.5	Comparison of two primary authorities for SME development – Cross-demographical
Table 7.1	Respondent statistics by region
Table 7.2	Respondent statistics by demographic
Table 7.3	Best time period for SME operating conditions - central Ukraine
Figure 7.4	Best time period for SME operating conditions - central Ukraine
Figure 7.5	Best time period for SME tax policy - central Ukraine
Figure 7.6	Best time period for SME development policy - central Ukraine
Table 7.7	Best time period for SME operating conditions - southern Ukraine
Figure 7.8	Best time period for SME operating conditions - southern Ukraine
Figure 7.9	Best time period for SME tax policy - southern Ukraine
Figure 7.10	Best time period for SME development policy - southern Ukraine
Table 7.11	Best time period for SME operating conditions - eastern Ukraine
Figure 7.12	Best time period for SME operating conditions - eastern Ukraine
Figure 7.13	Best time period for SME tax policy - eastern Ukraine
Figure 7.14	Best time period for SME development policy - eastern Ukraine
Table 7.15	Best time period for SME operating conditions - western Ukraine
Figure 7.16	Best time period for SME operating conditions - western Ukraine
Figure 7.17	Best time period for SME tax policy - western Ukraine
Figure 7.18	Best time period for SME development policy - western Ukraine
Figure 7.19	Best time period for SME operating conditions – Cross-regional comparison
Figure 7.20	Best time period for SME tax policy – Cross-regional comparison
Figure 7.21	Best time period for SME development policy – Cross-regional comparison
Figure 7.22	Best time period for SME operating conditions – Cross-demographical comparison
Figure 7.23	Best time period for SME tax policy – Cross-demographical comparison
Figure 7.24	Best time period for SME development policy – Cross-demographical comparison
Table 7.25	Survey respondent statistics by demographic and region
Table 7.26	Mean responses to survey questions - Region*Demographic
Figure 7.27	Mean responses to survey questions by region
Figure 7.28	Mean responses to survey questions by demographic
Figure 7.29	Perception of local government SME support – Cross-regional
Figure 7.30	Perception of local government SME support – Cross-demographical
Figure 8.1	Don't give bribes poster
Figure 8.2	Opinions on introducing SROs into Ukrainian business landscape

- Figure 8.3 Fischer-Smith Policy Implementation Model for Post-Soviet States (FSPIMPS)
Figure 8.4 Simplified Single Tax implementation according to FSPIMPS
Figure 8.5 SCURPE implementation according to FSPIMPS

References Cited

- Allison, G. T., & Halperin, M. H. (1972). Bureaucratic Politics: A Paradigm and Some Policy Implications. *World Politics*, 24, 40-79.
- Gunn, L. (1978). Why is Implementation so Difficult? *Management Services in Government*, November.
- Mazmanian, D. A., & Sabatier, P. A. (1983). *Implementation and public policy*. Glenview, Ill.: Scott, Foresman.

1 Introduction: Policy Implementation in a Post-Soviet Context

During the past two decades, post-Soviet Europe has become a laboratory for understanding changing political and economic systems. As a region and as individual nations, the processes accompanying the transition to market economies have constituted a learning process. In many ways, the world vastly underestimated the effects of Soviet legacies and historical modes of thinking on transition processes. Shifting societal norms, including the growth of democratic principles of governance and increased citizen participation through civil society, have been as much a part of the transition as have ‘hard’, economic and financial transformations. Just as citizens of the region have been forced to adapt to new social orders, so have scholars had to adjust their ideas of how to approach the topic.

Initial international outreach into the region was built on a seeming expectation that financial support and development aid, coupled with training and instruction, would be sufficient to bring former communist nations into quick alignment with western norms. However, the first decade of transition demonstrated in no uncertain terms that the challenges facing the region were deeply-rooted. The transition process was, in fact, to be much more profound than originally imagined, affecting systemic ways of thinking that had developed as a result of generations of centralised state planning. Resources that might have assisted the process, such as private institutions and civil society organisations, were virtually non-existent. As the Soviet system had not allowed for publically-initiated engagement, the concept of citizen-run ‘watchdog’ organisation was completely foreign. This was especially true for the new nations that had emerged from the former Soviet Union, the post-Soviet republics,¹ where a lack of such public governance institutions left transition processes largely in the hands of the state.

Through two decades of global interactions, this once ‘closed’ region has incorporated a tremendous amount of outside influence in a relatively short period of time. In the second decade of transition, many international aid agencies have re-evaluated their strategies to better account for regional characteristics. Lessons learned during the initial transition period have contributed to new methods, including an increase of grassroots approaches with a much heavier focus on the local element. International non-profits have been joined by domestic organisations and many changes seem to have become socially ingrained. Numerous hallmarks of market economies – public advertising, developed investment markets, property and business ownership – have become standard practice. Many associated social norms have also emerged – civil society non-profits and think tanks, community-based education initiatives, and stakeholder associations. However, many of these phenomena are unevenly regulated, with vastly differing degrees of legitimacy across the region. Semi-democratic regimes and oligarch-dominated capitalism continue to allow intimidation as a primary tactic in coercing the public towards the will of corrupt political elite classes. Such challenges remain quite palpable, and may be more accurately classified as culturally-based hurdles, rather than systemically-inherent factors.

Drawing conclusions on such mammoth topics as democratisation and market economy development are daunting even for the accomplished scholar. The complexities are many and inter-woven themes can be difficult to isolate sufficiently to allow thorough commentary. This doctoral thesis therefore approached broader regional issues

¹ The post-Soviet republics are also referred to as the Commonwealth of Independent States (CIS). Both terms represent nations that were once part of the Soviet Union, a grouping that differs from the Soviet Bloc nations that were associated with the Soviet Union but remained independently governed throughout.

through a pair of research ‘spectacles’, using a cross-disciplinary technique to illuminate areas of study that have thus far been overlooked. The former Soviet republic of Ukraine provided the research location, selected as a typical case post-communist nation, whose transition away from a centrally-planned economy has been deemed by many to be incomplete. Within Ukraine, the policy focus was on the small and medium business (SME) sector, and within this, on two case policies directly impacting this sector. Through this microcosm case study approach, this research was able to address its inquiries more comprehensively, in order to provide more conclusive evidence on the topic of policy dynamics in the SME sector. Research findings in turn were able to inform broader areas of study concerning transition processes, including democratisation, the civil service sector, and the role of public governance in policy implementation.

1.1 Policy implementation

Public policy implementation constitutes this thesis’ guiding structure and may be considered the frame of theoretical spectacles. Implementation studies examine the effectiveness with which a policy is carried out following its creation. A large part of this dissertation’s contribution comes from the fact that policy implementation, although a familiar topic in pluralist western systems, has only been sparingly applied in post-Soviet Europe. This is in part because implementation studies may be considered as part of the transition process’ ‘second wave’, as they only become relevant once primary transitional needs – financial liberalisation, privatisation of state owned assets and democratic elections – have been accounted for. Post-Soviet systems would simply not have been ready for policy implementation studies immediately upon the beginning of transition. It has taken time for governance systems to stabilise and find their own operating style to a point where policy insights are able to offer any meaningful explanations.

Current implementation measurement models tend to be culturally dependent, applicable only in democratic states where rule of law and transparent political climates have been the recent historical norm. In these contexts, insights produced through implementation research have been applied to improve policy creation and administration towards more efficient implementation outcomes. A wide range of analytical tools have been used towards this end and this thesis draws on many of them to shed light on policy considerations in a post-Soviet context. Expected results include new insights into ongoing administrative and regulatory obstacles, which will illuminate the nature of more systemic policy challenges facing the region. Such results may hopefully then contribute to improved methodologies for future policy practices in transition nations.

This thesis’ guiding theoretical framework is based on an amalgamated list of criteria for ‘perfect’ implementation. The original inspiration came from Lewis Gunn, the first to publish such a list (Gunn, 1978). Encapsulated in the designated of ‘perfect’ is the assumption that were a policy to fulfil all pre-identified criteria, one would expect the policy’s implementation to be successful. Within this idea, is the further assumption that this very rarely happens, making use of the word ‘perfect’ in this sense more of an ideal than a reality. In order to use as expansive a set of measurements as possible, this research combined Gunn’s list with two others (Allison & Halperin, 1972) (Mazmanian & Sabatier, 1983), discarding the duplicative criteria to emerge with a comprehensive, amalgamated list (AIC) for what might constitute ‘perfect’ implementation. Of course, the criteria for ‘perfect’ implementation, even if fully met, do not ensure that outcomes will be as intended by policy-makers, as many other factors may intervene along the implementation path. However, evidence demonstrates that the more criteria satisfied, the greater chance a policy has at being successfully implemented. Thus it is with the models focusing on the

implementation process that this dissertation is concerned, aiming to build on current understanding in order to produce a new model for policy implementation measurement in a post-Soviet context.

Such an approach might be considered dated in a western context, where implementation studies have been through many evolutions since the time such criteria lists were proposed. In the context of new market economies, however, where little substantive implementation research has been conducted (Canciani, 2009),² it makes sense to begin with analytical tools best suited to the current stage of development. Applying the criteria for perfect implementation to post-Soviet conditions may create a set of measurements, which can then act as a benchmark for assessing policy performance. Initially, the progress from such insights may seem glacially slow, but the more frequently such measurement instruments are used, the more cumulatively gathered data will be able to contribute to systemic understanding of the region's policy processes.

The guiding theory around perfect implementation can be summarised through the following statement:

Successful policy implementation requires highly coordinated efforts, based on valid theories, by key actors with shared goals, who possess sufficient authority and resources to accomplish the designated tasks.

By testing the above theory in a new geo-political context, thereby expanding current understanding of policy processes, this research fills a gap in current implementation scholarship. Through its use of policy implementation studies as a primary analytical lens, this thesis is able to offer new insights towards both the principal, as well as associated disciplines. Such findings will in turn help guide current policy understandings in the post-communist transition region, specifically through this dissertation's new measurement model for perfect implementation in the new European nations of the former Soviet Union.

1.2 Small and medium enterprises

The first lens in the theoretical spectacles comes from the field of entrepreneurial studies, also known as Small and Medium Enterprise (SME) studies. The relation of this discipline to the research at hand is framed through the summarised idea that:

Productive SME growth contributes to overall economic growth, which in turn leads to levels of prosperity that enables the presence of a strong middle class.

A stable middle class needs more than favourable economic conditions in order to prosper, and it is in this area that SMEs are considered particularly valuable. Through their generally shorter business life cycles, small firms stimulate the market more vigorously than large, creating employment opportunities during both firm birth and death. The intimate, often family-oriented nature of small business tends to produce particularly positive working environments, leading to greater employee retention through a sense of belonging. This can translate into stronger communities with citizens who feel they have a stake in their own futures. SMEs also contribute to social network building, constantly creating linkages through their professional activities to such a degree that they have been labelled the 'human face of the market economy' (Casson & Buckley, 2010, p. 35).

In most nations SMEs account for a high percentage of total employment, with a correlation observable between number of SMEs and income level (Kushnir, Mirmulstein, & Ramalho, 2010). In the European Union (EU), SMEs provided 66.5% of employment in 2012, accounting for 57% of value added to the economy (European Commission, 2013). This is consistent with data from the Organisation for Economic Cooperation and Development

² This statement refers to policy implementation studies conducted in or translated into English.

(OECD), which cites SME employment share for member nations as between 60-70% (OECD, 1997). Recent World Bank data further confirms these figures, citing the average worldwide SME employment share as 66.38%, with the average in Europe and Central Asia (ECA) similar to this at 64.47% (Demirguc-Kunt, Ayyagari, & Maksimovic, 2014).

Beyond these types of easily measurable data, SMEs are also recognised for their high potential for innovative activity, another way that entrepreneurs contribute to their social and economic ecosystems. SMEs are thus often considered amongst the core building blocks of a free-enterprise economic system. Small firms interact with large corporations to create a symbiotic environment whereby businesses of all sizes are able to flourish in their particular niches. This system in turn enables the development of a critical component of a market economy: the middle class. However, in countries that only recently operated with centralised economic models, the development of a middle class remains ongoing.

1.3 Post-communist transition nations

The second lens in the theoretical spectacles represents the geo-political situation arising from the transition process in post-Soviet space. This research aspect acknowledges the conditions specific to the transition process from command to market economy that in the past two decades has encompassed Central and Eastern Europe (CEE).³ Through international relations, aid programmes, and technical exchanges, many socio-political models have been presented to the CEE. Finding themselves sandwiched between two powerful neighbours, most CEE countries have chosen to align with either the EU or Russia. The EU has subsequently enlarged its borders significantly to encompass many nations from the former Soviet Bloc, with territorial borders that now extend to former Soviet republics (Ukraine, Belarus, Moldova, Russia). Russian foreign policy could be termed expansionary as well, with the 2008 military action in Georgia and the 2014 annexation of Crimea providing two recent examples. On the part of the CEE countries, such alignments have not been without internal domestic conflict, with popular movements arising in Slovakia (1998), Serbia (2000), Georgia (2003), Ukraine (2004), Azerbaijan (2005), Belarus (2006), Moldova (2009), and again in Ukraine (2014). These ‘colour’ revolutions have demonstrated the continuing fragility of the new democracies, which have been dependent on popular uprisings to counteract the effects of the political elite tampering with elections (Ó Beacháin & Polese, 2010). Not all of the movements listed above have been successful, and the term semi-democracy is still applicable in many countries of the former Soviet Union.

The term ‘transition nation’ has been frequently debated, with some differentiation amongst academic circles in how to define it. Key economic indicators, including macroeconomic stabilisation and liberalisation, privatisation, and institutional reforms, have provided the most traditional methods for defining transition nations. According to such indicators, the former Soviet Bloc countries finished their transition when they acceded to the EU, leaving the former Soviet republics as the remaining post-communist transition nations (Alam, Casero, Khan, & Udomsaph, 2008). Other considerations, such as quality of democracy, media freedom and corruption levels are additionally used to define the concept of transition nations. According to all of the above, Freedom House concurs with the World Bank in continuing to consider the post-Soviet countries as transition nations (Freedom House, 2013).

³ Central Asian nations have also been experiencing transition, although this dissertation focuses on Europe.

The study of transition nations is inevitably intertwined with concepts of democracy and public engagement in the political process. The notion of democracy, itself a broad subject of study, has many manifestations. This research therefore offers several definitions. Democracy scholar Philippe Schmitter has defined democracy as follows:

Modern political democracy is a system of governance in which rulers are held accountable for their actions in the public realm by citizens, acting indirectly through the competition and cooperation of their elected representatives (Schmitter, 1991).

This definition emphasises the element of ‘accountability’ within democratic societies, whereby citizens apply pressure on the government to act responsibly and transparently. This broad definition may be applicable in a wider sense but scholars have since argued that democracy in transition nations may produce more ‘hybrid’ political systems (Diamond, 2002). Writing on democratic processes specifically in transition nations, Morlino considers:

A quality democracy [is] one in which citizens can check the efficacy, responsibility and adherence of governments to rule of law and their accountability to demands expressed by civil society (Morlino, 2009).

This definition highlights the crucial role citizens play in maintaining their own democracies. In liberal democracies it has historically been this (educated) middle class that keeps political elites from abusing their power, both through legal systems and civil society mechanisms. As the working class does not usually have either the education or the time, and the upper class is often the group whose power needs to be checked, the middle class becomes a vital gatekeeper, ensuring that transparent practices remain the norm. Schimmelfennig and Scholtz confirm this, explaining that ‘economic development goes together with better education, less poverty, the creation of a large middle class and a competent civil service (Schimmelfennig & Scholtz, 2008, p. 192). Since the initial transition years, many nations of post-communist Europe have experienced a lapse into more autocratic government systems, with state resources controlled by a select group of political elites. Such semi-democratic conditions, unsurprisingly, do not foster the type of open market conditions in which SMEs might prosper.

1.4 SMEs in post-communist transition nations

The SME landscape in post-communist nations has been characterised by excessive bureaucracy and under-developed business support institutions. While small firms in transition nations are still integrally involved in their local environments, their ability to innovate and grow is often curtailed by burdensome regulatory environments. Even though SMEs in transition nations play an important role in the social wellbeing of their societies, helping to ‘generate employment and an atmosphere of social stability’ (McIntyre, 2003, p. 1), their economic contribution may not yet be linked directly to a growth model (Stevenson & Lundström, 2001). This development comes with time, as business environments improve towards more transparent models based on rule of law.

As stated in an early transition report by the European Bank of Reconstruction and Development (EBRD):

The SME sector carries great hopes and great burdens in the evolution of all transitional economies. It is difficult to imagine either rising overall living standards or social peace without sustained and healthy growth of this sector (European Bank of Reconstruction and Development, 1995).

The experiences of the central European nations provide an example of such evolution. Hungary, for example, saw its SME density (number of firms/1000 people) rise from only 9.8/1000 in 1994, to a density of approximately 54/1000 people by the mid-2000s. Slovenia followed a similar pattern, going from a density of 15.1/1000 in 1994 to almost 50/1000 by 2007 (Kushnir et al., 2010).

Despite the inroads made in the central European nations of the former Soviet Bloc, current business environment rankings still place many post-Soviet republics in the middle to low end of overall world rankings.

Table 1.1 - Ease of doing business – worldwide rank

	2012	2013	2014	+/-
Singapore	1	1	1	0
Hong Kong	2	2	2	0
New Zealand	2	3	3	0
Georgia	16	9	8	+8
Latvia	21	25	24	-3
Lithuania	27	27	17	+10
Armenia	55	32	37	+18
Montenegro	56	51	44	+12
Hungary	51	54	54	-3
Poland	62	55	45	+17
Belarus	69	58	63	+6
Czech Republic	64	65	75	+11
Bulgaria	59	66	58	+1
Azerbaijan	66	67	70	-4
Romania	72	72	73	-1
CEE and CA average	77	73	71	+6
Moldova	81	83	78	+3
Croatia	80	84	89	-9
Serbia	92	86	93	-1
Russia	120	112	92	+18
Bosnia and Herzegovina	125	126	131	-6
Lesotho	---	136		---
Liberia	151	---		---
Lebanon	---	---	111	---
Ukraine	152	137	112	+30
Papua New Guinea	---	---	113	---
Bolivia	153	---		---
Phillipines	---	138		---

Data taken from World Bank annual Doing Business report

Several nations in the region, Georgia and Armenia in particular, have shown marked improvement compared to the other former Soviet Union (FSU) counties. The regional average has also steadily improved, with five out of six post-Soviet republics showing significant improvement in their overall rank. Notably, this dissertation's case study of Ukraine, has demonstrated some of the greatest improvement of all nations in the former Soviet space. Despite Ukraine's continued low rank in the world context, its consistent improvement of the business climate indicates that a regulatory learning process may well be taking place.

Many of the differences in SME experience between the post-Soviet republics and their neighbours in CEE can be explained through varying levels of democracy. Nations with stable multiparty democracies and a pluralistic political culture have made more progress in reforming their economies towards a market-based model, than nations with semi-democratic systems (European Bank of Reconstruction and Development, 2013). Amongst the greatest challenges has been simplifying the regulatory environment to enable increased SME development. As described by SME transition scholar, David Smallbone:

Adapting the role of the state in the economy (and the wider society) has been a major part of the challenge, since the process of market reform requires a fundamental change in the role, type and behaviour of public

institutions at the national and sub-national levels, as well as the establishment of new forms of governance. This reflects a need for a fundamental shift in the role of the state in the economy, as government replaces its roles as planner of resource allocation and price setter, owner and financier of enterprise activity through subsidies and transfers, with a role as regulator and facilitator of private enterprise activity (Smallbone & Welter, 2010, p. 330).

These conflicting notions around a government's role in the economy have been foremost amongst the obstacles for SMEs in post-Soviet Europe. Ultimately, these changes must be made through policy arenas. To do this, governments must invest the time and resources required to improve key elements of a healthy SME policy system: clear reporting procedures, business inspections that abide by the rule of law, legal systems that work in favour of all citizens equally, and penalties for non-transparent tendering. It is towards gaining a deeper understanding of these ongoing processes that this thesis combines all three research disciplines, the theoretical spectacles with both lenses, into a focused case study: Policy implementation for SMEs in post-Soviet transition nations.

1.5 SME policy in transition nations: A new model for implementation measurement

A policy process may be considered democratic when it 'takes place according to established formal procedures, delivers quality content (policy, law) and is effective in solving problems' (Dimitrova & Buzogány, 2014, p. 140). Even in their traditional contexts of pluralist political systems, many elements of a policy system do not adhere to this definition. In fact, Wildavsky reminds scholars that successful implementation is not the norm (Wildavsky, 1979). Numerous obstacles, such as unclear chain of command, agency misunderstanding, and insufficient resources, can act as barrier points to effective implementation, even in pluralist, western-style democracies. But in a transition nation context, such existing barriers are augmented again by a range of obstacles not (overtly) present in transparent policy systems. As current measurement models are orientated towards western nations, where democratic modes of governance and market-based economies are expected characteristics, they fall short of explaining implementation circumstances in a post-communist context. For example, even if a given policy accounted for every barrier present in current, western-based models, the policy may still not be successfully implemented in a transition nation. There is thus a research expectation that in transition nations an additional set of policy challenges will further hinder successful implementation outcomes.

Barriers specific to a post-Soviet setting may include bureaucratic systems inherited from Soviet times, which often require exceptionally complicated administrative processes to accomplish seemingly simple tasks. In terms of programme funding, international aid resources do not always find their way to their intended source, creating an additional resourcing obstacle. Education-related barriers are also common, including lack of schooling on notions such as the principles of taxation, transparent governance, and democracy. Furthermore, high levels of political corruption and 'state capture' are often the norm (Hellman, Jones, Kaufmann, & Schankerman, 2000), through which oligarch-capitalists are able to influence society and its institutions towards the advancement of their own fortunes. (Hellman, Jones, & Kaufmann, 2003). Following deductions from original empirical research, this research incorporates implementation challenges such as these into a new model for 'perfect policy implementation': the Fischer-Smith Perfect Implementation Model for Post-Soviet States (FSPIMPS).

The remainder of this thesis proceeds as follows. The first several chapters are theoretical in nature and provide a background context for the later empirical chapters. Chapter 2 thus presents the research methods, inclusive of core definitions and methodological considerations. Chapter 3 outlines the relevant literature across all three

disciplines, with policy implementation literature acting as the structure within which SME studies and post-communist studies are contained. Chapter 4 provides an in-depth discussion on the case study nation of Ukraine, presenting the story of its SMEs in the context of recent political and economic history, highlighting the regional variations related to the differing lengths of time that East and West Ukraine were part of the Soviet Union.⁴ Chapter 5, the first of four empirical chapters, presents a detailed, process-tracing overview of a macro-level case study policy on the Simplified Single Tax for the Entrepreneur. Chapter 6 presents a process-tracing account of a micro-level case study policy on the State Committee of Ukraine for Regulatory Policy and Entrepreneurship (SCURPE). Chapter 7 presents additional empirical data outside of the case studies that correlates back to the findings from the previous chapters. Chapter 7 also includes a section on quantitative survey data, and ends with an assessment on the analytical features lacking in western implementation models. Chapter 8 lays out the data regarding the newly proposed FSPIMPS model, presenting the new theoretical framework in full detail. Finally, the thesis concludes with Chapter 9, which summarises the theoretical and empirical findings together into a thematic overview.

This research has thus identified a gap in policy scholarship applicability outside of its traditional environment. Through an in depth analysis of several SME-focused policy implementation cases, this thesis addresses current inadequacies in understanding policy systems in a post-communist context. Critically, it also provides some of the most recent data on Ukraine regarding either the SME sector or policy analysis, as current political conditions may prevent such extensive data from being gathered for the foreseeable future.

Research results include a new model for assessing policy processes beyond a western, pluralist setting, the Fischer-Smith Policy Implementation Model for Post-Soviet States (FSPIMPS), which lays the groundwork for future work in the area. Most importantly, this research identifies the core policy features that need to be incorporated in any workable measurement model within new market economies. Using highly-specified case studies as microcosms to explore larger themes, this research is thus able to draw connections between SME policy conditions and broader themes of market economy transition, democratisation, and the creation of a middle class. It aims to do so in a meaningful way across multiple disciplines for both theoreticians and practitioners, thus furthering current knowledge around the interaction between policy systems, SME behaviour, and the continued development of post-communist transition nations.

References Cited

- Alam, A., Casero, P. A., Khan, F., & Udomsaph, C. (2008). *Unleashing Prosperity: Productivity Growth in Eastern Europe and the Former Soviet Union*. Washington World Bank.
- Allison, G. T., & Halperin, M. H. (1972). Bureaucratic Politics: A Paradigm and Some Policy Implications. *World Politics*, 24, 40-79.
- Casson, M., & Buckley, P. J. (2010). *Entrepreneurship: Theory, Networks, History*. Cheltenham, Northampton: Edward Elgar.

⁴ Western Ukraine was only incorporated (annexed) into the Soviet Union following World War II.

- Demirguc-Kunt, A., Ayyagari, M., & Maksimovic, V. (2014). *SME Contribution to Employment*. WPS 5631 Retrieved from <http://go.worldbank.org/DMD75EFBB0> on 23 April 2014.
- Diamond, L. J. (2002). Thinking About Hybrid Regimes. *Journal of Democracy*, 13(2), 21-35.
- Dimitrova, A., & Buzogány, A. (2014). Post-Accession Policy-Making in Bulgaria and Romania: Can Non-state Actors Use EU Rules to Promote Better Governance? *Journal of Common Market Studies*, 52(1), 139–156.
- European Bank of Reconstruction and Development. (1995). *Transition Report 1995: Investment and Enterprise Development*. London: European Bank of Reconstruction and Development.
- European Bank of Reconstruction and Development. (2013). *Transition Report 2013: Stuck in Transition?* : European Bank of Reconstruction and Development.
- European Commission. (2013). *A Recovery On The Horizon? Annual Report On European SMEs 2012/2013*: European Commission.
- Freedom House. (2013). *Nations in Transit 2013*: Freedom House.
- Gunn, L. (1978). Why is Implementation so Difficult? *Management Services in Government*, November.
- Hellman, J. S., Jones, G., & Kaufmann, D. (2003). Seize the state, seize the day: state capture and influence in transition economies. *Journal of Comparative Economics*, 31(4), 751-773.
- Hellman, J. S., Jones, G., Kaufmann, D., & Schankerman, M. (2000). Measuring Governance, Corruption, and State Capture: How Firms and Bureaucrats Shape the Business Environment in Transition Economies *Policy Research Working Paper 2312*: The World Bank; World Bank Institute for Governance, Regulation and Finance; European Bank for Reconstruction and Development.
- Kushnir, K., Mirmulstein, M. L., & Ramalho, R. (2010). *Micro, Small, and Medium Enterprises Around the World: How Many Are There, and What Affects the Count?* : World Bank, International Finance Corporation.
- Mazmanian, D. A., & Sabatier, P. A. (1983). *Implementation and public policy*. Glenview, Ill.: Scott, Foresman.
- McIntyre, R. J. (2003). Conclusions: The Role of Public Policy in SME Development. In R. J. McIntyre & B. Dallago (Eds.), *Small and Medium Enterprises in Transitional Economies*. Houndmills, Basingstoke, Hampshire, New York: Palgrave Macmillan.
- Morlino, L. (2009). Legitimacy and the quality of democracy. *International Social Science Journal*, 60(196), 211-222.
- Ó Beacháin, D., & Polese, A. (2010). The Colour Revolutions in the Former Soviet Republics : Successes and Failures Retrieved from <http://canterbury.eblib.com.au/patron/FullRecord.aspx?p=557257>
- OECD. (1997). *Small Businesses, Job Creation And Growth: Facts, Obstacles And Best Practices*: Organisation for Economic Cooperation and Development.
- Schimmelfennig, F., & Scholtz, H. (2008). EU Democracy Promotion in the European Neighbourhood: Political Conditionality, Economic Development and Transnational Exchange. *European Union Politics*, 9(2), 187 - 215.
- Schmitter, P. C. (1991). What Democracy Is... and Is Not. *Journal of Democracy*, 2(3), 75.
- Smallbone, D., & Welter, F. (2010). Entrepreneurship and the Role of Government in Post-Socialist Economies: Some Institutional Challenges. *Unternehmertum und die Rolle des Staates in postsozialistischen Wirtschaften: Einige institutionelle Herausforderungen.*, 35(2), 320-333.
- Stevenson, L., & Lundström, A. (2001). *Entrepreneurship Policy for the Future Entrepreneurship for the Future Series* (Vol. 1). Taipei, ROC: Swedish Foundation for Small Business Research.
- Wildavsky, A. (1979). *Speaking Truth to Power: The Art and Craft of Policy Analysis*. Boston; Toronto: Little, Brown and Company.

2 Research Design and Methodology

2.1.1 Research questions

This project evolved in response to a series of broad research questions: To what degree is policy implementation in post-Soviet Europe improving as the region's transition matures? What key factors are influencing this process and to what degree? What policy implementation considerations need to be adjusted from traditional policy models in order to more accurately reflect policy implementation conditions in post-communist states?

The first question broadly defined the subject matter of this thesis, which explored policy processes in the post-communist nation of Ukraine. The second question examined the internal changes taking place within Ukraine, including evolving societal attitudes towards private entrepreneurship and government prioritisation (or lack thereof) to support SME mechanisms. It also addressed the role that external actors play in Ukraine's policy environment. The third question related to an in depth analysis of implementation factors, analysed through this thesis' guiding theoretical framework.

2.1.2 Research Objectives

In response to the above research questions this thesis had two primary objectives.

- To conduct an empirical policy implementation study of selected Ukrainian public policies that have strongly impacted the SME sector
- To evaluate the efficacy of existing implementation measurement theories in a transition context and to develop an implementation assessment model more appropriate to analysing post-Soviet states

The first objective was addressed through empirical data collection, including: semi-structured interviews, surveys, and document (primary source) analysis. Empirical data gathered during fieldwork interviews focused on two SME policy case studies, respectively representing both macro and micro level policy changes.

The second objective was addressed through a combined theoretical model, amalgamating several existing implementation assessment frameworks into one framework (Allison & Halperin, 1972; Hogwood & Gunn, 1984; Mazmanian & Sabatier, 1983), together termed the 'Amalgamated Implementation Criteria' (AIC).

Amalgamated Implementation Criteria (AIC)

- (1) Policy to be implemented is based on a valid theory of cause and effect.
- (2) The policy has active support from key constituents and legislators.
- (3) A clear authority is behind the policy's implementation, correctly ordering tasks and managing implementation compliance.
- (4) There are a small number of key players involved in the implementation process and dependency relationships between them are minimal.
- (5) There is mutual understanding of and commitment to implementation goals by key parties and organisations involved in implementation process.
- (6) Key players and implementation agencies have good communication and coordination between them.
- (7) Resources are sufficient and largely untapped on their way to the implementing agencies.
(Misuse of resources is minimal.)
- (8) Externally generated and intervening circumstances are minimal.

These criteria represent a theoretical, and arguably unattainable, model of perfect policy implementation. They may be viewed as a type of checklist, specifying key elements that need to be in place in order to maximise the chances of policy outcomes turning out as intended. As many kinds of issue-specific events can prevent perfect implementation in practice, the criteria act as a kind of implementation roadmap, helping practitioners account for predicted challenges. Applying the AIC model as a theoretical framework thereby clarifies the particular circumstances impacting a given policy's implementation, in order to identify which elements of the process are acting as barriers to successful execution. Thus this thesis did not attempt to measure actual policy outcomes (the scope of which would be considerably greater than a doctoral dissertation) but rather the process through which they are achieved. With the Amalgamated Implementation Criteria (AIC) model as the theoretical basis for the empirical research, data collection was constructed around the AIC in terms of hypotheses, interview questionnaires, data coding and data analysis.

2.1.3 Hypotheses

The research hypothesis arose from both the research questions and objectives.

H1: Despite the slow pace of post-Soviet reforms in Ukraine, continued pressure from both internal and external actors involved in policy processes will drive policy implementation norms regarding small and medium enterprises into ever closer alignment with the Amalgamated Implementation Criteria.

The original hypothesis, which was modified following a pre-fieldwork research visit to Ukraine, read as:

Despite the slow pace of post-Soviet reforms, since the Orange Revolution Ukrainian policy makers have been engaged in a learning process that is pushing policy implementation norms regarding small and medium enterprises into ever greater alignment with Amalgamated Policy Implementation Criteria.

A pre-fieldwork visit to Ukraine involved discussions in Kyiv with key actors from both the SME and policy sectors. Following these discussions, this thesis adjusted its research expectations and modified the research design to better reflect actual conditions in Ukraine. The use of the Orange Revolution as a defining point in time, at least in regards to policy implementation, was found to be inaccurate. Additionally, policy learning processes did not seem to be limited to Ukrainian state policy makers, but were also taking place amongst domestic non-governmental (NGO) and international actors. The initial hypothesis was therefore revised to more accurately reflect the actual issues affecting policy implementation concerns regarding the Ukrainian SME sector.

2.1.4 Research Variables

The project's principle research variables included:

Independent variable (IV):	Public policies with a strong effect on SMEs
Dependent variable (DV):	Policy implementation effectiveness
Control variables:	1) Ukraine; 2) time period 1992 - 2012
Intervening variables:	1) Presidential and parliamentary elections; 2) changes to the Ukrainian Constitution; 3) 1998 currency devaluation crisis; 4) 2008 international financial crisis and European Union credit crisis; 5) corruption and rent-seeking behaviour, societal attitudes towards market culture and private enterprise; 6) quality of the Ukrainian judicial system and practices of selective justice

The IV, or input variable, represented the type of policies from which this research selected its case study policies. Two types of policies were chosen, from different points on the policy spectrum and both with a strong affect on SMEs: macro-level tax policy and micro-level business development policy. For the development of research

interviews and subsequent fieldwork these were further narrowed down to the Simplified Single Tax Policy and the evolution of the State Committee of Ukraine for Regulatory Policy and Entrepreneurship (SCURPE), respectively.

The DV, or outcome variable, was measured through potential adherence to the AIC. In theory, a score of 8 was possible for each policy case study at any given point in time. However, this was not the expected outcome as perfect implementation does not usually occur even in environments where policy implementation is most effective. As the literature regarding implementation measurement models contained no guidelines for what constitutes a well-implemented policy, this dissertation created its own working definition. Based on Wildavsky's assertions that an effectively implemented policy is the exception to the rule (Wildavsky, 1979), this research defined a successfully implemented policy as one that satisfied at least half of the criteria. Thus any case study policy (IV) meeting at least four criteria was considered effectively implemented.

The control variables represented the boundaries of the research, which was carried out in the geographic location of Ukraine. Ukraine was chosen as the research location for a variety of reasons. Firstly, amongst former Soviet republics, Ukraine has made somewhat greater strides in its transition towards a market economy and democracy (Freedom House, 2013). Ukraine's relationship with the European Union (EU) within the context of the Eastern Partnership (EaP) represented a second guiding factor in research location selection. At the time of research, the Association Agreement (AA) between Ukraine and the EU had progressed further than that of any other post-Soviet republic. This suggested that, of the EaP nations, Ukraine's socio-political system was most in agreement with that of the EU. Of course, Ukraine's advances in the AA and free trade discussions with the EU may have indicated merely the value the EU places on securing a position as Ukraine's foremost bilateral partner. Either explanation supported the choice of Ukraine as a research location through its potentially increased alignment of policy norms with those of the standards present in the AIC model, which are representative of the EU's liberal democracy. A third consideration was the existence of a considerable body of work documenting Ukraine's business environment, including specific research into SME conditions. There was also a significant literature surrounding Ukraine's continued post-communist transition, which provided valuable background material for this research. Specifics relating to both of these bodies of literature are discussed in Chapter 3. A final, but very practical factor affecting case selection was that the researcher spoke both Russian and Ukrainian and therefore did not need to use interpreters for conducting interviews or translators for documents.

The second control variable, the time period of 1992-2012, encapsulated roughly the first twenty years of Ukraine's independence, beginning from shortly after Ukraine became a sovereign state and continuing through to the fieldwork year of 2012. However, although those 20 years were identified as the primary research focus, key events occurring after this time were also included, in so far as they influenced the research.

The intervening variables were those external occurrences which may have had an effect on the research outcomes. Also called interaction variables, these events have been flagged as those which may have influenced data analysis, as they potentially accounted for patterns in the data considered outside of the primary research variables.

2.1.5 Definitions

Before proceeding to an overview of research methods, a brief list of key definitions utilised throughout the dissertation is provided.

Small and Medium Enterprise (SME)

This research defines an SME as any business employing less than 250 employees. This reflects the current definition in use by both Ukraine and the European Union (European Commission, 2013b; Держстат України, 2013). The definition covers three subgroups:

- Micro-enterprise - fewer than 10 employees/annual turnover of less than € 2 million
- Small enterprise - fewer than 50 employees/annual turnover of less than € 10 million
- Medium enterprise - fewer than 250 employees/annual turnover of less than € 50 million

Although definitions vary, a recent publication on micro, small and medium enterprises indicated that at least one third of the world uses the above definitions (more than use any other single definition) (Kushnir, Mirmulstein, & Ramalho, 2010). It is important to note that in the Ukrainian context maximum annual turnover according to size class was significantly less.

Eastern Partnership (EaP)

The European Commission (EC) defines the EaP as six nations, all former republics of the Soviet Union. Prior to the 2009 creation of the EaP, Partnership and Cooperation Agreements (PCA) provided relationship guides between each nation and the EU. At the time of writing the six EaP countries were: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine (European Commission, 2013a).

Ukraine

This research defines the country of Ukraine as the sovereign geo-political entity existing from 1991 to the time of research (2012). It does not incorporate previous historical manifestations of an independent Ukrainian nation nor does it account for the political changes taking place in 2014.

Transliteration

All English language transliterations have been formed from the Ukrainian for the word in question. This reflects the legal status of Ukrainian as the language of the Ukrainian state. For the sake of consistency, this research transliterates from the Ukrainian even when the word/region in question relates to a Russian-speaking part of the country. The only exception to this rule occurs when there is no Ukrainian equivalent to the term in question.

Translations

All in-text citations from Ukrainian or Russian language sources have been translated by the author. Interview quotes in text are referenced to indicate the interview's original language: 'U' for Ukrainian, 'R' for Russian and 'E' for English.

2.2 Research basis

SME data from Ukraine has been included in many large-scale studies conducted to date (OECD, 2012; World Bank, 2004, 2011). Specifically Ukraine-focused research in the field of SMEs also comprises a considerable body of work (Gray & Whiston, 1999; International Finance Corporation, 2007; Yacoub & Senchuk, 2000; Ляпін, Дубровський, Піщуліна, & Продан, 2012). However, the majority of these studies have focused on the wider business environment but not incorporated in depth policy-oriented data to any significant degree.

The exception to this rule can be found in the research of David Smallbone. Together with his colleagues, notably Frederick Welter, Smallbone has routinely conducted some of the only policy-oriented research regarding Ukrainian SMEs and their operating conditions (Smallbone & Welter, 2001, 2010, 2012; F. Welter & Smallbone, 2003; Friederike Welter & Smallbone, 2011). Although other scholars have written widely on entrepreneurial policy conditions in Eastern Europe (Acs & Virgill, 2011; Balcerowicz & Ustenko, 2006; McIntyre, 2003), Smallbone and Welter's work represents some of the only literature on SME policy in Ukraine conducted from the perspective of English language western scholars.

The literature cited above lacks two key elements that this dissertation provides. Firstly, the majority of interview-based research conducted to date on SMEs in Ukraine has been solely with firm owners. This research expanded the key informant set to a much wider grouping, which was more representative of SME policy knowledge. In addition to firm owners, this research also conducted interviews with business associations, academics, research analysts, civil servants, and members of government at the national, regional and local levels.

Secondly, a majority of surveys to date have addressed a widely inclusive set of business environment and policy concerns for SMEs. This research instead structured its data collection around two specific policy case studies, each of which represented wider policy concerns. Through this more detailed approach the thesis was able to explore implementation process to a considerably greater depth, resulting in more meaningful conclusions around implementation effectiveness. To the best knowledge of this research, neither of these two elements (wider interview respondent base and case-specific policies) have previously been included within western-based research on Ukrainian SMEs.

Several studies approximating this description been conducted in Ukraine (Giucci, Kirchner, Betliy, & Otten, 2010; Адамов, Ляшенко, Сорокін, & Толмачова, 2009; Покатаєва, 2011; Сидоренко Р.В.). However, these studies have been subject to two serious limitations that have kept their findings from being incorporated into the wider spheres of knowledge. Firstly, their material has largely been published solely in Ukrainian language journals (or in English within Ukrainian language journals whose circulation is limited), which has seriously restricted their potential readership. Secondly, Ukrainian academic methods do not always align with current western standards, including in applied methodology, use of case studies or citation standards. This has meant that any policy-specific research on Ukrainian SMEs has gone largely unabsorbed into the international scholarly community. Wherever possible, this research has drawn on such studies.

2.3 Research methods

This thesis' guiding theoretical framework, the Amalgamated Implementation Criteria (AIC), was created by incorporating three existing assessment tools into one model (Allison & Halperin, 1972; Hogwood & Gunn, 1984; Mazmanian & Sabatier, 1983). The goal in using AIC, rather any of the already existing models individually, was to incorporate the widest possible scope of relevant implementation criteria.

Figure 2.1.—Creation of Amalgamated Implementation Criteria

Amalgamated Implementation Criteria	Gunn's 10	Allison/Halperin 5	Maziamen/Sabañier 6
1. Policy to be implemented is based on a valid theory of cause and effect.	3. The policy to be implemented must be based upon a valid theory of cause and effect. 4. The relationship between cause and effect must be direct and there must be few, if any, intervening links.		2. The enabling legislation incorporates a sound theory identifying the principal factors and causal linkages affecting policy objectives and gives implementing officials sufficient jurisdiction over target groups and other points of leverage to attain, at least potentially, the desired goals
2. The policy has active support from key constituents and legislators.		2. Specific details of the action taken are determined in by standard operating procedures and programs existing in the organisations at the time	5. The program is actively supported by organised constituency groups and by a few key legislators (or a chief executive) throughout the implementation process, with the courts being neutral or supportive
3. A clear authority is behind the policy's implementation, correctly ordering tasks and managing implementation compliance.	8. Tasks must be fully specified in the correct sequence. 10. Those in authority must be able to demand and obtain perfect compliance.		1. The enabling legislation or other legal directive mandates policy objectives which are clear and consistent or at least provides substantive criteria for resolving goal conflicts
4. There are a small number of key players involved in the implementation process and dependency relationships between them are minimal.	6. Dependency relationships between implementing agencies must be minimal.	4. The larger the number of players who can act independently on an issue, the less the government's action will reflect decisions of the government on that issue 5. Where a decision leaves leeway for the organisation that is implementing it, that organisation will act so as to maximize its organisational interest within constraints	
5. There is mutual understanding of and commitment to implementation goals by key parties and organisations involved in implementation process.	7. There must be complete understanding of and agreement on objectives throughout the implementation process.	1. Leader's involvement unambiguous, order is widely publicized, the men who receive it have control of everything needed to carry it out and no apparent doubt of his authority to issue the decision	4. The leader's of the implementing agency possess substantial managerial and political skills and are committed to statutory goals
6. Key players and implementation agencies have good communication and coordination between them.	9. There must be perfect communication and coordination between participants.	3. Ambassadors and field commander's feeling less obliged to implement decisions, feeling they know better what actions one should want and how to get these actions	3. The enabling legislation structures the implementation process so as to maximize the probability that implementing officials and target groups will perform as desired. This involves assignment to sympathetic agencies with adequate hierarchical integration, supportive decision rules, sufficient financial resources, and adequate access to supporters
7. Resources are sufficient and largely untapped on their way to the implementing agencies. (Misuse of resources is minimal)	2. Adequate time and sufficient resources must be made available to the programme. 3. The required combination of resources must be actually available.		
8. Externally generated and intervening circumstances are minimal.	1. Circumstances external to the implementing agency must not impose crippling constraints		6. The relative priority of statutory objectives is not undermined over time by the emergence of conflicting public policies or by changes in relevant socio-economic conditions which weakens the statute's causal theory or political support

As evidenced in Figure 2.1, none of the three original criteria incorporated all of the points within the AIC. Several of the measurement models also included overlapping criteria, making the amalgamated AIC list both a more exhaustive and more efficient guideline for implementation measurement. The AIC thus represents a set of criteria for 'perfect'

implementation in a western context. In its conclusions, this thesis built on the AIC in order to present a new measurement model designed for a post-communist context.

Although primarily of a qualitative nature, this project may in part be considered mixed methods, as it incorporated elements of both qualitative (small n) and quantitative (large N) studies. The guiding methodology, grounded in qualitative research traditions, used interviews as the primary method for data collection. This approach, traditionally considered idiographic through its focus on individual case occurrences, has been referred to as a 'plausibility probe' (George, 1979). Methodological scholars have classified case study approaches as those that may be used to 'expose new general problems' and 'formulate potential generalised realisations' (1979, p. 54). Other primary methods in this research, policy process tracing and interview coding, were also firmly grounded in the qualitative tradition. However, the large number of research interviews (140) created a quantitative element to this research. The demographical and regional classifications present across interview data resulted in a dataset that may be considered more nomothetic than idiographic. This included statistics around nominal information, such as respondent age, sex, rural versus urban setting, and other such indicators. Research surveys (178) administered along with the interviews resulted in another quantitative dataset. Thus, the thesis may be considered primarily qualitative, with several quantitative datasets enhancing the findings as well as providing the potential for further data exploration.

It is important to note that although this thesis operated with a hypothesis, the nature of the research retained a strong exploratory bent. This was in large part due to the lack of previous implementation studies conducted in a post-Soviet context, as the literature was not sufficiently mature to support classical theory testing approaches. This thesis may thus be considered, at least in part, as laying down important theoretical building blocks to allow for future research into implementation analysis in post-communist transition states.

2.3.1 Fieldwork preparation

The first stage of research could best be considered as preparation for fieldwork and consisted of background reading on the relevant literature, political and economic conditions in Ukraine, and familiarisation with relevant Ukrainian legislation. Materials read were in English, Russian or Ukrainian and included books, academic journals, newspapers, magazines, websites and other sources. Research methodology courses (University of Canterbury) and workshops (European University Institute) also contributed to the preparatory stage, as did an audited course in econometrics (University of Canterbury). The first stage also included the creation of fieldwork materials, a semi-structured interview questionnaire and an accompanying 5-question survey. Both documents were approved through the University of Canterbury Ethics Committee, including translations of each into Russian and Ukrainian.

Research interviews were pilot tested through a side interview project in Christchurch/Canterbury. The primary purpose for the pilot study was to gain proficiency in interviewing skills ahead of fieldwork in Ukraine. However, the pilot research also resulted in a dataset in its own right, published as a policy implementation assessment of the Earthquake Support Subsidy in Christchurch (Fischer-Smith, 2013). Finally, fieldwork preparation also included a preliminary research visit to Ukraine in order to consult with key informants in both the SME and policy fields before finalising materials for data collection.

2.3.2 Case study selection

Although the geographic research location of Ukraine could potentially be considered a case study, this thesis classified it as a control variable. Similarly to the 'time period' control variable (1991-2012), these choices

constrained research location, rather than variable input. In so far as SMEs may be considered a case study, Chapter 1 has already elaborated on the rationale for using small firms as a vehicle for assessing policy implementation efficiency. Similarly to geographic and longitudinal considerations, the focus on small and medium firms defined the broader research subject, rather than any set of case examples. Thus the research case studies are only those policies which constitute the thesis' independent variables. These cases have been designed to test both the research hypothesis as well as the project's broader theoretical framework.

This project selected two policy case studies, each from a different policy typology, as informed by the theoretical literature. One was a macro-level policy (affected the business environment for all firms), and the other was a micro-level, or 'targeted' policy (focused on assisting SMEs with size-related disadvantages) (Cameron & Massey, 1999). This research chose tax policy to represent macro-level policies, as obstacles arising from tax policy and procedures were among the most commonly cited problems amongst Ukrainian SMEs (International Finance Corporation, 2007; Yacoub & Senchuk, 2000). The broad nature of tax policy required that this case be narrowed down into a more assessable unit of analysis. This narrowing down process was results-led, as during research interviews the subject of the Simplified Single Tax arose more frequently than any other tax-related topic. The unique nature of the Simplified Tax presented an opportunity for a particularly meaningful case study, as this tax policy was particularly aimed at SMEs. Although this arguably crossed into the arena of the micro-level policy, through its targeted approach, this balanced well with the second case study. The second case focused on the evolution State Committee of Ukraine for Regulatory Policy and Entrepreneurship (SCURPE). Although SCURPE was frequently understood as an SME-targeted institution, the agency's focus was never formally limited to SMEs. The SCURPE case was thus a micro-level policy with elements of macro-level, whereas the Simplified Tax was a macro-level policy with elements of micro-level.

Just as with the single tax policy, the choice to focus on SCURPE for the targeted case arose through interviews. Originally the SME-targeted policy was to be a development policy, the Law for Government Support of Small Enterprises (Закон про державну підтримку малого підприємництва No 2063-III, 2000). Initiated in 2000, this programme created the Regional Fund for Support of Entrepreneurship (RFPP), the regional branch of the already existent Ukrainian Fund for Entrepreneurship Support (UFPP). Although the policy continue to operate throughout several presidential administrations, interview data demonstrated that most respondents were unfamiliar it. A conclusion was reached that the Law for Government Support of Small Enterprises had not directly affected many SMEs. This research therefore opted for a case study on SCURPE, which was mentioned frequently during interviews across all demographics.

Both case studies were thus chosen for their notable impact on SMEs. Other considerations in case selection included a policy's timespan and political importance as, together with impact, these two characteristics are understood as key elements in policy case selection (Thomson, 2011). The two cases finally selected for this research both met all three of these demands. Both were politically salient, had a high level of impact on SMEs and spanned a significant amount of time. The fact that both policies originated in the 1990s means they additionally adhered to Sabatier's recommendation that policy studies span at least ten years of policy activity (Sabatier, 1998).

If delving deeper into case study methodology, the two policies examined in this research may be considered a blend of 'typical' and 'most-different' cases (Gerring, 2007). They were 'typical' in so far as they may be considered 'exploratory', intended to 'validate a causal model' through applied hypothesis testing (2007, p. 95). They were 'most-

different' in that they are seemingly quite different cases (IV) with similarly predicted effectiveness (DV) (2007, p. 144), that implementation efficiency will improve over time. Their differences were based in the fact that they came from two different typologies (macro and micro) and included different implementation factors.

2.3.3 Data collection

Research fieldwork took place from January - August, 2012, resulting in 141 interviews, 178 surveys, and a considerable collection of primary source documents. Only key respondents were approached for interviews, so that data would reflect the perspectives of people either directly involved in SME-related policy issues or who were knowledgeable on the subject. In order to present a broadly inclusive data spectrum interview data was gathered across three different demographics.

Demographic A comprised members of government (ministers, members of parliament, regional administrators, and city councillors), civil servants (national, regional and municipal), and researchers (government-based centres). Demographic B included researchers (professors, independent academics and think-tank analysts) and NGO representatives (domestic and international). Demographic C covered SME owners and SME-oriented business associations and organisations. Together, the three demographics broadly reflected the traditional groups considered in policy implementation research (Mazmanian & Sabatier, 1983, p. 12).

Respondents were further classified according to four regions, in order to capture as many of the cultural variations in Ukraine as possible. Research operations were based in the population centre of each region, although a considerable number of interviews were conducted in the smaller cities and towns of each region as well. The four regions (and respective capitals) were: Centre (Kyiv), South (Odesa), East (Donetsk) and West (L'viv).⁵ The choice not to include the North (Sumy) was made in part due to resource limitations and justified by the fact that Sumy had a far smaller population centre than the other four. This decision is further examined in Chapter 4, during the discussion on regional considerations. Figure 2.2 displays all interview locations across the four regions.

2.3.4 Interviews

Semi-structured oral interviews were conducted in Ukrainian, Russian, or English.⁶ Interviews usually took place at the respondent's place of work and were recorded in audio format. The choice of semi-structured interviews reflected research considerations towards establishing a balance between open-ended and more guided responses (Gschwend & Schimmelfennig, 2007). Interviews aimed to take just under an hour and consisted of four sections. The first section covered basic information regarding the relevant agency, organisation or business, including the respondent's personal motivation regarding their relation to the SME sector. This section served two purposes. Firstly, it provided the dataset with facts about each organisation/business from respondents' point of view, which could then be cross-referenced (in many cases) with the same information available through websites or published materials. The second purpose was to help the respondent feel at ease before moving into more difficult questions, a common strategy in qualitative, interview-based research (Sproull, 1995). The second interview section contained broad, longitudinal questions about trends in the Ukrainian small business environment over time. Just as with section one, section two was dual-purposed. Firstly it aimed to collect data about the 'big picture', in order to identify the best and worst perceived times for SME operating environments in Ukraine.

⁵ In text interview citations utilise data labels derived from the respective regional capitals (K, O, D, L) as files were originally labelled according to this schema. However, these labels are representative of the respective region (Centre, South, East, West) in its entirety.

⁶ The English language interviews tended to be with respondents from non-domestic NGOs.



Figure 2.2 - Interview locations

The second purpose, however, was to get the respondent thinking about the research topic in a broad way, in order to prime his or her mind to best answer the remaining questions. The third and fourth sections were both based on the theoretical AIC framework and structured to measure policy implementation adherence to each criterion. Section three did so in relation to the Simplified Single Tax and section four applied the AIC to the case of SCURPE. As a

mechanism for covering any potentially overlooked research considerations, at the end of each interview respondents were given an open ended opportunity to add any additional information.

Interview respondents were approached in several ways. Firstly, in each region stakeholder agencies and organisations were identified and approached. If no contact already existed at a given agency or organisation, an introductory email was sent, together with a cover letter explaining the research. When government or other high-profile agencies were approached, the cover letter was accompanied by a letter from the United States Embassy in hopes of securing the more difficult-to-obtain interviews.⁷ In cases where no response was received to the original email, a second email was sent, which was then followed up by phone. Additional phone calls or emails were made depending on the importance of securing an interview with a given agency or organisation. The persistence needed in approaching potential respondents several times was reflective of Ukrainian culture and considered quite normal in that context. When a potential respondent was linked to a person already connected with the research, a phone call was usually the first form of contact, followed by an explanatory email and cover letter. The use of developing contact networks to acquire further interview respondents is a technique often used in obtaining interviews for qualitative research (Sproull, 1995). The above techniques were used for all three demographics, complemented through university contacts in each research region, who often assisted in securing interviews with elite key respondents. Additional methods for obtaining interviews with SME owners from demographic C included using business associations to approach their members.

Respondents gave permission to be interviewed by oral consent, as approved by the University of Canterbury Ethics Committee prior to fieldwork. The choice for oral, rather than written, consent was made out of consideration for the post-Soviet environment and the negative reaction that requesting a signature may have produced in respondents. Interview audio files were transcribed in their original language, with Ukrainian graduate students hired and trained to transcribe Russian and Ukrainian language interviews. Anonymity practices were strictly adhered to and research assistants never transcribed interviews from their own region. English language interviews were transcribed by the researcher.

2.3.5 Surveys

Further to the interviews, additional data was gathered through a five-question survey filled out by the respondent at the end of each interview. Surveys had two primary purposes. Firstly, they shortened the interview time by asking questions in written form that would have taken longer to answer within the interview. Secondly, they enhanced the comparability of data across respondents through their scaled approach, creating an explicitly quantitative dataset that could be analysed through cross-tabulation.

The surveys asked respondents to rate the effectiveness, quality and importance of local government, business groups and NGOs (both domestic and international) across the policy process for each case study. Just as with the interviews, surveys were conducted in Ukrainian, Russian or English. The answer scale ran from 1-5, with 1 representing the low end of the scale (ineffective, of poor quality, of low importance) and 5 representing the high end (highly effective, of excellent quality of high importance). This scaled technique, common in qualitative research, is considered³ valid so long as the scale against which respondents are answering is clearly explained to them (Krosnick & Fabregar, 1997). Total number of surveys (178) was greater than total number of interviews (140) due to the fact

⁷ The US Embassy letter was part of standard documentation within the Fulbright Program, which funded the fieldwork in Ukraine.

that this research several times had the opportunity to present to a focus group, where only surveys (rather than interviews) were conducted.

Surveys were constructed according to guidelines from the literature. Primary concerns included that they be well-written and easy for respondents to understand (Treiman, 2009), that the ranking scale be clear (Krosnick & Fabregar, 1997), and that the surveys be short so as not to take too much of respondents' time.

2.4 Methods of Analysis

2.4.1 Policy process tracing

Further techniques for qualitative analysis included a policy tracing process applied to each case study. The components included: a policy timeline, a descriptive summary of the legislation, an overview of agenda setting and policy contextualisation, an explanation of key actor roles, an exploration of implementation mechanisms, the reactions of key informants, and a concluding analysis. Both primary sources (data) and archival (web-based documents) materials were utilised during process tracing, most notably documents from the Ukrainian parliament's (Verkhovna Rada (VR)) comprehensive online legislative database (Верховна Рада України, 1994-2014). These sources were further supported by interview data, primary materials gathered from key informants (agency brochures, research centre reports, and other written material), and other electronic legislative databases.

Although the technique of process tracing has been in use for some time, the body of literature around it remains relatively small. Moreover, research studies to date may differ considerably in terms of their componentry and approach to process tracing. Few scholars have written methodological accounts of process tracing practicalities and a recent publication by Beach and Pedersen stands as one of the few in depth treatments. They define several types of process tracing: theory-testing, theory-building and explaining-outcome (Beach & Pedersen, 2013, p. 11), laying out the differences between each approach. The method used in this thesis may be considered 'theory-building', in that empirical data was used to assess implementation effectiveness and that the research process roughly aligned with the suggested order of steps: 1) collect evidence; 2) infer existence of manifestations; 3) infer existence of causal mechanism (2013, p. 17). Elements of 'theory-testing' approach were present in this research as well, especially considering that the guiding theoretical framework might be considered its own 'causal mechanism'. However, since the end goal of this thesis was to produce a new implementation assessment model (a new causal explanation), the process tracing method most closely aligned with that of 'theory-building'.

2.4.2 Interview coding

The interview coding process was performed primarily through the Nvivo 10 (QSR) software package, a customised sorting programme for qualitative research. Interview coding method utilised both top-down methods, with codes structured according to the theoretical framework (Pepinsky, 2007), and bottom-up approaches (also called grounded theory or open coding) (Warren & Karner, 2010). Codes were ordered according to tiers, with first-tier codes comprising the primary coding categories. The first set of primary codes were built around the 8 AIC criteria (top-down): 1) cause and effect, 2) key support, 3) clear authority, 4) small number of players, 5) mutual understanding and commitment, 6) communication and coordination, 7) resources available, 8) external circumstances. During the coding process, an additional set of primary codes were derived (bottom-up) around possible new implementation criteria that would potentially be added to the new implementation assessment model for post-communist contexts. This set of codes was 6 in total: 1) learning and best practice, 2) mechanisms and incentives,

3) political appeasement, 4) fits social milieu, 5) incorporates stakeholder input, 6) bureaucratic corruption. Another two primary codes were created to represent additional longitudinal data: 'golden era for business environment' and 'presidential administrations'. Two final primary codes, 'personal information' and 'agency information' were designed to increase ease of locating passages from within an interview transcript.

Each of the primary codes was represented as a 'node' within the Nvivo software. Nearly every node consisted of sub-nodes, classifying primary codes further according to case study policies and intervening variables. Interviews were coded in their original language and were only translated into English for citation purposes.

2.4.3 Data analysis: quantitative data

The quantitative data that emerged from the interviews consisted primarily of demographic details: respondent age, sex, and rural versus urban setting. Because most interview content could not be analysed quantitatively, these data were utilised as complementary statistics to demonstrate respondent characteristics towards presenting a clearer picture of the data.

Survey results accounted for the majority of quantitative data, which were analysed through cross-tabulation techniques. The statistical software SPSS was used to clean up the data and to provide additional graphical analysis. Academic guidelines regarding quantitative analysis included Treiman's account of quantitative methods in social research (Treiman, 2009) and considerations regarding multivariate analysis (Joseph F Hair, Black, Babin, Anderson, & Tatham, 2006). The analytical method applied to the quantitative data was based on cross-tabulation methods, as this approach was best able to highlight the points of interest within the dataset. The high number of interviews (141) resulted in additional quantitative datasets concerning key respondent details and location of origin. For all cross-tabulation comparisons between regions, demographics and the interactive effects of both variables, data was displayed according to percentages of respondents, in order to account for differing numbers of respondents across key informant categories.

2.4.4 Limitations

Language issues and cultural differences between the researcher and respondents may have impacted interview data. Russian and Ukrainian were the interviewer's third and fourth languages, respectively, and it is thus to be expected that some material suffered in the exchange. However, this was compensated by the use of native speakers in transcribing interview files.

Additionally, access to high level officials as key respondents was fair, but not great. Several members of parliament and heads of parliamentary committees gave interviews, but none of the sitting ministers of parliament were included amongst the respondents.

References Cited

Acs, Z. J., & Virgill, N. (2011). Chapter 18 - Entrepreneurship in Developing Countries. In F. Welter & D. Smallbone (Eds.), *Handbook of research on entrepreneurship policies in Central and Eastern Europe*. Cheltenham, U.K: Edward Elgar Publishing Limited.

- Allison, G. T., & Halperin, M. H. (1972). Bureaucratic Politics: A Paradigm and Some Policy Implications. *World Politics*, 24, 40-79.
- Balcerowicz, E., & Ustenko, O. (2006). Regulatory Policy in Ukraine: Current State and What Should be Done to Improve the Business Environment *Blue Ribbon Commission II Special Project: Activity - Task Force on Economic Strategy*. Warsaw: Center for Social and Economic Research (CASE) - Centrum Analiz Społeczno – Ekonomicznych (CASE).
- Beach, D., & Pedersen, R. B. (2013). *Process-Tracing Methods: Foundations and Guidelines*. Ann Arbor: The University of Michigan Press.
- Cameron, A. F., & Massey, C. (1999). *Small and Medium-sized Enterprises: A New Zealand Perspective*. Auckland, N.Z.: Longman.
- European Commission. (2013a). *International Affairs - Eastern Partnership*. Retrieved from http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/international-affairs/eastern-partnership/index_en.htm on 25 August 2013.
- European Commission. (2013b). *What is an SME?* Retrieved from http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm on 23 June 2013.
- Fischer-Smith, R. (2013). The Earthquake Support Subsidy for Christchurch's Small and Medium Enterprises: Perspectives from Business Owners. *Small Enterprise Research*, 20, 40-54.
- Freedom House. (2013). *Central and Eastern Europe/Eurasia*. Retrieved from <https://freedomhouse.org/regions/eurasia#.VGb4tfmUeSo> on August 20 2013.
- George, A. L. (1979). Case Studies and Theory Development: The Method of Structured, Focused Comparison. In P. G. Lauren (Ed.), *Diplomacy: New Approaches in History, Theory, and Policy*. New York; London: The Free Press; Collier Macmillan Publishers.
- Gerring, J. (2007). *Case Study Research: Principles and Practices*. Cambridge: Cambridge University Press.
- Giucci, R., Kirchner, R., Betliy, O., & Otten, T. (2010). Reforming the Simplified Taxation for Individual Entrepreneurs in Ukraine *Policy Paper Series [PP/05/2010]*. Berlin/Kyiv: German Advisory Group; Institute for Economic Research and Policy Consulting.
- Gray, T. A., & Whiston, W. B. (1999). A Survey of Business in Ukraine - Small and Medium Enterprises Baseline Survey (pp. 217). Kyiv: Management Systems International; Kyiv International Institute of Sociology; State Committee of Ukraine for Entrepreneurship Development; USAID.
- Gschwend, T., & Schimmelfennig, F. (Eds.). (2007). *Research Design in Political Science: How to practice what they preach*. New York: Palgrave Macmillan.
- Hogwood, B. W., & Gunn, L. A. (1984). *Policy Analysis for the Real World*. Oxford [Oxfordshire] ; New York: Oxford University Press.
- International Finance Corporation. (2007). Business Environment in Ukraine. In I. F. Corporation (Ed.): International Finance Corporation; European Commission.
- Joseph F Hair, J., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. (2006). *Multivariate Data Analysis* (6th ed.). Upper Saddle River, New Jersey: Pearson Education.
- Krosnick, J. A., & Fabregar, L. R. (1997). Designing Rating Scales for Effective Measurement in Surveys. In L. Lyberg, P. Biemer, M. Collins, E. d. Leeuw, C. Dippo, N. Schwarz & D. Trewin (Eds.), *Survey Measurement and Process Quality*. New York: John Wiley & Sons, Inc.
- Kushnir, K., Mirmulstein, M. L., & Ramalho, R. (2010). Micro, Small, and Medium Enterprises Around the World: How Many Are There, and What Affects the Count? : World Bank, International Finance Corporation.
- Mazmanian, D. A., & Sabatier, P. A. (1983). *Implementation and public policy*. Glenview, Ill.: Scott, Foresman.
- McIntyre, R. J. (2003). Small Enterprises in Transition Economies: Casual Puzzles and Policy-Relevant Research. In R. J. McIntyre & B. Dallago (Eds.), *Small and Medium Enterprises in Transitional Economies*. Houndmills, Basingstoke, Hampshire, New York: Palgrave Macmillan.
- OECD. (2012). SME Policy Index - Eastern Partner Countries 2012: Progress In The Implementation of the Small Business Act for Europe: Organisation for Economic Co-Operation and Development; European Commission; European Training Foundation; European Bank for Reconstruction and Development.
- Pepinsky, T. B. (2007). *How to Code*. Paper presented at the 2007 Annual Meeting of the American Political Science Association, Chicago, IL.
- Sabatier, P. A. (1998). The Advocacy Coalition Framework: Revisions and Relevance for Europe. *Journal of European Public Policy*, 5(1), 98-130.

- Smallbone, D., & Welter, F. (2001). The role of government in SME development in transition economies. *International Small Business Journal*, 19(4), 63(19).
- Smallbone, D., & Welter, F. (2010). Entrepreneurship and the Role of Government in Post-Socialist Economies: Some Institutional Challenges. *Unternehmertum und die Rolle des Staates in postsozialistischen Wirtschaften: Einige institutionelle Herausforderungen.*, 35(2), 320-333.
- Smallbone, D., & Welter, F. (2012). Entrepreneurship and institutional change in transition economies: The Commonwealth of Independent States, Central and Eastern Europe and China compared. *Entrepreneurship & Regional Development*, 24(3-4), 215-233.
- Sproull, N. L. (1995). *Handbook of Research Methods* (2nd ed.). Metuchen, NJ; London: The Scarecrow Press, Inc.
- Thomson, R. (2011). *Resolving controversy in the European Union: Legislative decision-making before and after enlargement*. Cambridge; New York: Cambridge University Press.
- Treiman, D. J. (2009). *Quantitative Data Analysis: Doing Social Research to Test Ideas*. San Francisco: John Wiley & Sons, Inc.
- Warren, C. A. B., & Karner, T. X. (2010). *Discovering Qualitative Methods: Field Research, Interviews, and Analysis* (2nd ed.). New York: Oxford University Press.
- Welter, F., & Smallbone, D. (2003). Entrepreneurship and Enterprise Strategies in Transition Economies: An Institutional Perspective *Small firms and economic development in developed and transition economies: A reader* (pp. 95-114). Retrieved from http://books.google.co.nz/books?hl=en&lr=&id=0JgzJOAHPI0C&oi=fnd&pg=PA95&dq=Entrepreneurship+and+Enterprise+Strategies+in+Transition+Economies%3B+An+Institutional+Perspective&ots=FShby3ruT3&sig=enV3nzL7Tjotc9uaDBkFclp_krY#v=onepage&q=Entrepreneurship%20and%20Enterprise%20Strategies%20in%20Transition%20Economies%3B%20An%20Institutional%20Perspective&f=false
- Welter, F., & Smallbone, D. (Eds.). (2011). *Handbook of research on entrepreneurship policies in Central and Eastern Europe*. Cheltenham, U.K: Edward Elgar Publishing Limited.
- Wildavsky, A. (1979). *Speaking Truth to Power: The Art and Craft of Policy Analysis*. Boston; Toronto: Little, Brown and Company.
- World Bank. (2004). *Doing Business in 2004: Understanding Regulation*. Washington DC: World Bank, International Finance Corporation, Oxford University Press.
- World Bank. (2011). *Doing Business 2011: Making a Difference for Entrepreneurs Doing Business Annual Reports*. Washington DC: World Bank/International Finance Corporation.
- Yacoub, M., & Senchuk, B. (2000). The State of Small Business in Ukraine. In Center for Social Expertise and Forecasting of the Institute of Sociology (Ed.), *The International Finance Corporation Survey of Ukrainian Small Enterprises*: International Finance Corporation in association with Ministry of Foreign Affairs of Norway and USAID.
- Адамов, Б. І., Ляшенко, В. І., Сорокін, Б. А., & Толмачова, Г. Ф. (2009). Стан малого підприємництва та регуляторного середовища в Україні. *Економічний вісник Донбасу*, 1(15), 42-49.
- Верховна Рада України. (1994-2014). *Верховна Рада України - офіційний веб-портал*. Retrieved from <http://zakon4.rada.gov.ua/laws> on 13 January 2014.
- Держстат України. (2013). *Розвиток підприємництва - Методологічні пояснення*. Retrieved from http://ukrstat.gov.ua/operativ/operativ2012/sze/sze_met.html on August 25 2013.
- Закон про державну підтримку малого підприємництва No 2063-III (2000).
- Ляпін, Д. В., Дубровський, В. І., Піщуліна, О. М., & Продан, О. П. (2012). *Зелена книга малого бізнесу України [Green Book of Small Business in Ukraine]*. Київ: Інститут власності і свободи (Institute for Power and Freedom); Міжнародний фонд відродження (International Renaissance Fund).
- Покатаєва, О. В. (2011). Спрощена система оподаткування в контексті податкового кодексу України [Taxation in the context of the Tax Code of Ukraine]. *Класичного приватного університету*.
- Сидоренко Р.В., к. е. н. Спрощена система оподаткування в Україні: Історія і перспективи. Retrieved from http://archive.nbuv.gov.ua/portal/soc_gum/znptdau/2012_17_2/17-2-19.pdf

3 Historical Trajectories and New Directions: A Review of the Policy Implementation and SME Literature

3.1 Part I - Policy implementation studies

The geo-cultural region of post-Soviet Europe has to date appeared less frequently in policy implementation research than areas such as Western Europe, Canada and the United States and Australia and New Zealand. This thesis pushes policy implementation as an analytical tool into the post-Soviet region, where the political and cultural fabric differs significantly from the established western democracies where implementation studies are already strong. By approaching this new arena through established implementation traditions, this research framed policy studies in Ukraine within existent research norms. This was necessary both in providing a base from which to begin work, as well as in establishing common ground with current implementation scholarship.

As a relatively new field, implementation studies have evolved through several manifestations in a fairly short time period. Within the past decade, calls for a revival in the field have echoed across the literature. The research in this thesis was thus well-timed, as its new material may spark interest in current implementation methodologies. Developing the discipline in regards to the region of post-Soviet Europe may rekindle a kind of enthusiasm towards implementation studies, whose expansion into new geo-political spheres could be mutually beneficial, both for the new region, as well as for the implementation discipline.

The recognition of policy implementation studies as its own discipline roughly aligned with the publication of Pressman and Wildavsky's seminal study assessing the performance of a government employment programme in Oakland, California (Pressman & Wildavsky, 1973). The political climate of the United States in the decade or so prior to the study had produced many new social programmes, most of which had never been formally assessed for measures of efficiency or effectiveness. The overwhelmingly negative conclusions of Pressman and Wildavsky towards this end, that the 'great expectations' of Washington DC were indeed being 'dashed' during policy implementation in Oakland, inspired an explosion of similar studies. As it became apparent that policy design and implementation did not necessarily follow neatly one after the other, that, in fact, a significant portion of government spending was potentially being used inefficiently and with questionable results, the field swelled. Policy implementation studies suddenly became quite fashionable; the relatively high government spending in the 1960s United States, coupled with the dawning realisation that successful policy outcomes were perhaps the exception to the rule, provided ready fodder for the growth of implementation research. Barrett referred to this time as 'a period of growing concern about the effectiveness of public policy and governance' (Barrett, 2004, p. 250). As the subject gained legitimacy as a research topic, the inherent difficulty of successful implementation became the accepted position. Mazmanian and Sabatier labelled anything other than 'the most routine and mundane policy...an extremely complex and precarious undertaking' (Mazmanian & Sabatier, 1983), a notion shared by most scholars of the time. This made determination of general policy implementation theories difficult, and for some time the field was actually characterised by debates around the lack of any widely accepted theoretical framework. Many believed that universal implementation theories were simply impractical.

The political and institutional relationships in an implementation process on any but the smallest scale are simply too numerous and diverse to admit of our asserting lawlike propositions about them. It is the

fragmentary and disjunctive nature of the real world that makes ‘a general theory of the implementation process’ unattainable and, indeed, unrealistic (Bardach, 1977, p. 57).

One of the reasons finding common ground proved so difficult, O’Toole suggested, was that scholars consistently failed to consult previous studies when designing new research.

The typical situation in implementation research, even more so than for other types of social science, has been for there to be very little conscious effort to develop and test systematically the insights generated in previous work, and thus to separate the promising from the merely plausible but unproductive (Laurence J. O’Toole, 1986, p. 189).

In the same article, O’Toole provided a synthesis of implementation research to date, including a survey of current research variables at the time, which were numerous and varied widely. He advised paring down the field to a focused core, so that future researchers might be more motivated to draw on past knowledge, rather than reinventing the wheel.

Another piece of prevailing wisdom that emerged from this initial era was the idea that policy implementation difficulties were not problems to be fixed so much as organisational puzzles to be rearranged. Referring to policy as ‘its own cause’, Wildavsky at that time summed up policy implementation analysis as:

An activity creating problems that can be solved. Every policy is fashioned of tension between resources and objectives, planning and politics, scepticism and dogma. Solving problems involves temporarily resolving these tensions (Wildavsky, 1979, p. 17).

This understanding of implementation challenges as something other than singular, removable obstacles has carried through to modern policy scholarship. Its continuation has evolved into various sub-disciplines of policy analysis, including inter-organisational implementation, governance, and network effectiveness. The problem-solving strategies for these types of policy analyses tend to utilise tools such as rearranging variables and power structures, adjusting institutional arrangements, and revisiting priorities. This variability of approaches employable in policy implementation studies is itself testament to the diversity of the field, and puts some perspective on why establishing standardised implementation theories has proven so difficult. The heterogeneous nature of implementation studies is also important in regards to this project’s case study of Ukraine, as the creation of a new model for policy implementation may be largely about the reinvention (variable manipulation) of current analytical norms.

It stands to mention that some scholars cite earlier beginnings to the field of implementation studies than Pressman and Wildavsky’s well-known study. In his article on the origin of policy implementation research, Saetren provided evidence of implementation studies from as early as the 1930s, positing that the field was actually initiated by doctoral students. Although his points may be valid, the data Saetren used to substantiate his arguments nonetheless demonstrated a clear increase in implementation research from the late 1960s (Saetren, 2005). It therefore seems safe to say that, although policy implementation studies may certainly have existed earlier than its recognised emergence, the field did not make a name for itself until its later, commonly accepted rise in popularity.

3.2 Evolution of policy frameworks and sub-disciplines

The inherent difficulty in arriving at any generally accepted theory for policy implementation created some degree of turmoil in the emerging field. An early, significant debate emerged around top-down versus bottom-up approaches. For some time, this disagreement dominated the field. The top-down school of thought believed itself a ‘normative ideal for policy that should be made by those on top and decreed to those below’ (Barrett, 2004, p. 255). Top-downers believed that policy implementation flowed downwards, and thus focused most research energy on the

behaviour of policy makers (those who controlled official policy channels). On the other side of the debate, bottom-up scholars saw methodological importance in the diversity of multi-actor systems, understanding policy processes more as evolving ‘continuums’, where cooperation and negotiation (rather than decree) were the primary modes of interaction (2004, p. 255) (Hjern, Hanf, & Porter, 1978). In effect, the two schools possessed different strengths, top-down approaches worked best when conditions encompassed single policy actors and a focus on results, whereas bottom-up techniques were more suited to situations with multiple actors and a focus on the process of implementation dynamics. The polarised debate has since subsided, in part due to Sabatier’s synthesis of the two approaches into one model, the Advocacy Coalition Framework (ACF) (Sabatier, 1986).

The difference between ACF and previous implementation models was primarily in the unit of analysis. Rather than examining parts of a whole, ACF analysed the entire policy ‘subsystem’. The model included multiple actors from various organisations (both public and private), bringing together previously polarised versions of top-down and bottom-up frameworks. This was achieved in part by modifying the top-down ‘iron triangle’ of actors (government, lobbyists, and legislative committees) to include additional relevant actors (civil servants, academics, and analysts to name a few) (Sabatier, 1999). ACF further distinguished itself from earlier theories through use of a longer policy time frame, considering inadequate any analytical timespan less than ten years. Lastly, ACF emphasised the importance of belief systems as a key explanatory factor behind policy implementation behaviour (Sabatier, 1998, 1999; Weible et al., 2011). This concept of policy attitudes was especially pertinent to the post-communist context of this research and prevalent concepts of policy ‘mentality’ and its relation to the ‘social milieu’. During data analyses this thesis returns in more detail to the notion of attitudes (belief systems) as an implementation variable.

Multi-actor implementation was another early branch of implementation research. Pressman and Wildavsky referred to the topic as ‘the complexity of joint action’ (Pressman & Wildavsky, 1973), Goggin termed it the ‘multi-layer problem’ (Goggin, 1990), and O’Toole labelled it ‘interorganizational’ implementation (L. J. O’Toole, Jr. & Montjoy, 1984). The primary concepts of all three schools of thought were much the same: the more actors involved in the implementation process the more complicated implementation will potentially be. The process impacted many of this thesis’ guiding criteria because, as the above scholars have demonstrated, multi-organisational implementation is truly the norm. Most policy processes involve several groups or agencies, making single agency implementation very rare. Such inter-organisational impediments often arise from a:

Lack of attention to and incentives for coordination among organizations. If policies or organizations set up administrative coordinating units specifically to implement such policies, these problems might be reduced. But such units might further fragment structure and inhibit the organization's ability to implement its own tasks efficiently. Thus, the problem cuts both ways (L. J. O’Toole, Jr. & Montjoy, 1984, p. 500).

Multi-organisational implementation had a particular advantage in crowded policy spaces, especially when the authority for a given policy is shared amongst several actors (Laurence J. O’Toole, 1986, p. 182). O’Toole outlined several key points for practitioners in regards to inter-organisational implementation. Firstly, attempts to coordinate across organisations will nearly always experience more delays and lower success rates than intra-organisational implementation. The exception to this rule may occur when interdependence is pooled, in which case rates of implementation can actually increase. Secondly, when multiple agencies are involved, ‘mandate specificity’ will tend to weaken and monitoring efforts will often be poor. Lastly, policies that did not carry incentives for implementing agencies will nearly always fail (L. J. O’Toole, Jr. & Montjoy, 1984, p. 495). Hill and Hupe also proposed recommendations regarding multi-layer implementation studies, echoing general ideas by earlier scholars to better

synthesise methodological approaches. They warned against reaching too hard for a ‘grand theory’ (M. Hill & Hupe, 2003), whose existence they considered elusive. In the case study context of this thesis, the legacies of Soviet culture still present in Ukraine have contributed towards a highly bureaucratic culture in the civil service, making multi-layer implementation potentially that much more difficult to disentangle.

More recent sub-disciplines of policy implementation with applicable elements for this research include governance studies. This field shares some characteristics with earlier multi-organisational scholarship, most notably the nature of interdependent agencies and the horizontal frameworks that define their interaction. Governance studies also incorporates a great deal of public-private interaction, and analysis often revolves around relationships that replace (rather than constitute) government operations. Scharpf laid out the basic elements of governance, explaining that:

Public services are often not provided under centralised direction within a single organisation or through a chain of hierarchically related organisations, but depend on inter-organisational cooperation within networks of formally autonomous or de facto independent public and private sector organisations, while regulatory programmes more often than not seem to be implemented by means of negotiations rather than authoritative decrees (Fritz Wilhelm Scharpf, 1993, p. 8).

Torfig provides a more recent definition of that echoes several of Scharpf’s key ideas, referring to governance as:

A horizontal articulation of interdependent, but operationally autonomous, actors from the public and/or private sector who interact with one another through ongoing negotiations that take place within a regulative, normative, cognitive, and imaginary framework; facilitate self-regulation in the shadow of hierarchy; and contribute to the production of public regulation in the broad sense of the term (Sørensen & Torfig, 2007).

Shared space between public and private actors and a focus on negotiation as a primary communication tool characterises both definitions. According to Torfig, the essence of governance as an increasingly common form of policy implementation results from the complex models of modern society, including trends towards a ‘new governmentality’, which, in recognising the limits of hierarchical government structures, advocates for freer agency behaviour (actions) within a ‘constructed policy environment’. This type of governance is also seen to boost ‘policy legitimacy’ through its more consensual approach to implementation (Torfig, 2012, p. 105). The element of self-regulation mentioned in Torfig’s description is also an important theme for this research as in the context of Ukrainian SMEs, self-regulation is the form of governance most often discussed (Дубровський, 2012).

Network effectiveness constitutes another related sub-discipline often associated with governance studies. Similarly to multi-organisational implementation, network effectiveness has made its contribution through analysis of relationships at the structural level, defined as:

The attainment of positive network level outcomes that could not normally be achieved by individual organizational participants acting independently (Provan & Kenis, 2008, p. 230).

In some ways, network effectiveness fills the space where governance and multi-actor implementation intersect. Sometimes called the ‘hollow state’, network governance concerns itself with arranging organisational networks, rather than managing hierarchically structured implementation (Milward & Provan, 2003). The convergence of goals, separate organisations working together towards one end result, is a key element in understanding network effectiveness. In many ways, the only shared aspects of a network are its goals, with both the actors and their organisational objectives differing from one another significantly. This can make it difficult to distinguish when a network is the most suitable unit of analysis. O’Toole considers interactions to be networked when action is ‘partially mandated and partially self-organized’ (J. O’Toole, Laurence J., 2009). Provan and Kenis specify their definition of

networks down to groups containing at least three or more organisations working together, agreeing with O'Toole that networks are formed from a combination of self-initiated and governmentally authorised action (Provan & Kenis, 2008). Scharpf shared this outlook as well, noting that in the network setting 'regulatory programmes more often than not seem to be implemented by means of negotiations rather than authoritative decrees' (Fritz Wilhelm Scharpf, 1993, p. 8).

The dynamics involved in negotiations can evolve to encompass notions of compliance and regulatory concerns. In analysing compliance barriers, Weaver has posited a comprehensive method for understanding the multiple obstacles encountered during the implementation process. He outlined several ways in which barriers might manifest, including: 'resource and autonomy constraints that make compliance more difficult or costly, even for those who wish to comply', 'heterogeneity with program target groups' and the 'socially and politically determined constructions' that govern compliance regimes (Weaver, 2014). Perhaps most importantly he emphasised the fact that compliance barriers are rarely singular, and must be conceived of as multiple, interlocking obstacles in order to be approached accurately.

There is also a sizeable body of work on game theory as a mode of understanding policy implementation. The analyses of Bardach are well known in this arena, identifying types of games commonly used during the implementation process, such as diverting available resources or redirecting policy aims (Bardach, 1977). Scharpf has also used game theory as a tool for implementation analysis, often distinguishing between two key types of games, where the presence of negotiations is the determining factor in whether a game is considered 'cooperative' or 'non-cooperative' (Fritz Wilhelm Scharpf, 1993). The inherent focus on agency behaviour means that game theory is closely interwoven with theories of institutional analysis. Institutional analysis and development (IAD) as an area of study also abuts both governance and network effectiveness, and has been most succinctly summarised in the work of Elinor Ostrom. At its intersection with policy implementation, IAD understands implementation outcomes as interactions (games) between cooperating (or non-cooperating) institutions, including the individuals within those institutions.

All of the frameworks detailed thus far represent ways to understand and assess policy implementation. While the above all contribute to the theoretical underpinnings of this research, it is the criteria-based implementation frameworks that follow, which provide the backbone of this thesis' theoretical skeleton.

3.3 Policy implementation criteria

The primary inspiration for this research comes from a collection of scholars who have, over the years, proposed various criteria for creating perfect policy implementation. In a theoretical context, perfect implementation is a sought after state, whose complete achievement is never actually expected. Having all the criteria met thus represents a hypothetical situation: an environment where implementation proceeds without obstacles. The criteria thus function as targets, and although several may be satisfied during any given implementation process, together they are called perfect precisely because their total satisfaction at one time is extremely unlikely.

Hood was the first to write about the concept, laying out five conditions for 'perfect administration'. In order for a policy to be effectively administered it needed to have:

- 1) A single line of authority (a unitary system of administration)
- 2) Uniform implementation norms with implementers aware of objectives
- 3) Perfect control throughout the system
- 4) Perfect administration throughout the system

5) Adequate time and available resources (Hood, 1976)

Although several of Hood's conditions, specifically three and four, were quite vague, he nonetheless created a concept that caught on with other scholars. Several years earlier, Allison and Halperin proposed a related list, which revolved around US government foreign policy models and is therefore not cited here in full (Allison & Halperin, 1972). Other scholars in the both the US and UK wrote on the topic (Dunsire, 1978), but it was Lewis Gunn who next put forward a consolidated list of criteria for perfect implementation:

- 1) External circumstances do not impose crippling constraints
- 2) Adequate time and resources are available
- 3) Required combination of resources is available
- 4) Policy is based on valid theory of cause and effect
- 5) Implementation relationships are direct with few intervening links
- 6) Dependency relationships in the implementation chain are minimal
- 7) Implementing actors are in agreement regarding objectives
- 8) Tasks are fully specified in correct sequence
- 9) Perfect communication and coordination
- 10) Authorities can obtain perfect compliance (Gunn, 1978)

Gunn's list was considerably more detailed than Hood's, using five criteria (5-9) to specify the administrative relationships that Hood put forward in only two criteria (3 and 4). Gunn also introduced two critical concepts, which had not been included in previous lists. Firstly, Gunn made allowances for external situations occurring outside the implementation playing field, which may impact implementation processes (criterion 1). Additionally, Gunn incorporated the concept of rational policy making (criterion 4), noting that a poorly crafted policy may be reasonable enough for its failed implementation. Following its publication, Gunn's list of criteria became the preeminent reference on the subject, cited throughout the implementation literature in the years following its appearance (Barrett, 2004; Dimitrakopoulos & Richardson, 2001; Goggin, 1990; M. J. Hill & Hupe, 2002; Hogwood & Gunn, 1984; Laurence J. O'Toole, 1986; Mazmanian & Sabatier, 1983). Other lists of conditions, echoing most of Gunn's criteria, were published in the years after the concept originated. For example, Sabatier wrote that his own:

Six conditions of effective implementation have proven to be a useful checklist of critical factors in understanding variations in program performance and in understanding the strategies of program proponents over time (Sabatier, 1986).

That is indeed what any lists of criteria (Gunn's is still the most cited) have become over time, a way to understand variance across a series of key implementation variables. As explained in this thesis' introductory chapter, this research has used Gunn's criteria as a theoretical guide, combining and condensing it with similar lists to create an amalgamated list of criteria for perfect implementation. Although such an approach might be considered dated in an American or European context, using the concept in post-Soviet Europe, where policy implementation studies are just becoming recognised (and relevant), is an important first step in applying policy implementation studies to the region.

It is important to bear in mind that within implementation measurement frameworks, some criteria may be more difficult to satisfy than others. The notion of a 'clear authority', for example, may be exceptionally complex, the one criterion comprised of several elements.

- 1) An authority must actually possess a level of executable power;
- 2) An authority must correctly order implementation tasks;
- 3) An authority must be able to manage implementation compliance (Hood, 1976).

The concept of 'executable power' is particularly important, as it defines the difference between passive (in name only) and active power. This in turn is connected to the idea of leadership approaches and what constitutes a strong leader.

An authority figure will wield a different ability to manage compliance depending on whether he/she is a capable or weak leader. In this regard, Scharpf referred to the Laswellian classification, eight values that defined leadership: four 'deference' values - power, respect, rectitude, affection - and four 'welfare' values - well-being, wealth, skill, enlightenment (Lasswell & Kaplan, 1950). In some cases, policy actors may use a number of these values to aid their leadership and maintain compliance (Fritz W. Scharpf, 1997). This example is one of many frameworks used to analyse power capabilities and this thesis only incorporates leadership analysis in a limited way.

Curiously, none of the implementation measurement models detailed here attempted to specify (in either quantitative or qualitative terms) what exactly constituted effective implementation. Gunn described perfect implementation as satisfying all presented criteria (Gunn, 1978), but made no further distinctions towards concepts such as 'nearly perfect', 'passable', or 'failed' implementation. This lack of specification extended to the additional models (Allison & Halperin, 1972; Hood, 1976; Mazmanian & Sabatier, 1983), none of which provided guidelines around determining degrees of implementation success beyond full compliance with all criteria. Taking into account the fact that perfect implementation is nearly always unattainable, with non-implementation most often the norm (Wildavsky, 1979), this research has chosen satisfaction of criteria at the 50% threshold to constitute effective implementation. The application of this threshold applies to the measurement model used as this thesis' theoretical guide (as introduced in Chapter 2).

Amalgamated Implementation Criteria (AIC)

- (1) Policy to be implemented is based on a valid theory of cause and effect.
- (2) The policy has active support from key constituents and legislators.
- (3) A clear authority is behind the policy's implementation, correctly ordering tasks and managing implementation compliance.
- (4) There are a small number of key players involved in the implementation process and dependency relationships between them are minimal.
- (5) There is mutual understanding of and commitment to implementation goals by key parties and organisations involved in implementation process.
- (6) Key players and implementation agencies have good communication and coordination between them.
- (7) Resources are sufficient and largely untapped on their way to the implementing agencies.
(Misuse of resources is minimal.)
- (8) Externally generated and intervening circumstances are minimal.

Throughout this thesis' application of the AIC, it is critical to bear in mind that the concern of this research, policy implementation success, represents only one component of wider policy outcomes. In this vein, scholars have differentiated between implementation, 'action on behalf of the policy', and outcomes that constitute a more 'ultimate impact on the policy problem' (J. O'Toole, Laurence J., 2000, p. 266). Thus, although a successfully-implemented policy makes intended policy outcomes more likely, it cannot act as a guarantor. By adhering to implementation criteria, practitioners thus position a policy to have a greater chance of overcoming unforeseen obstacles, but the course of implementation is often unpredictable. This thesis is thus concerned with implementation as a policy process and does not have the scope to consider resulting policy outcomes in any great detail.

3.4 Implementation studies in geo-political contexts

Since they emerged, implementation studies have been pursued primarily in ‘western’ democracies. Research based in the USA initially dominated the field (J. O’Toole, Laurence J., 2000; Saetren, 2005), although scholarship from other parts of the world, principally from Europe, began from roughly the same time period. Initial European scholarship stemmed largely from the UK (Dunsire, 1978; Hogwood & Gunn, 1984), although Scandinavia was frequently used as a research laboratory (Gustafsson & Richardson, 1979). These early European studies focused largely on the ‘bureaucratic accommodation’ of interest groups (Jordan & Richardson, 1983), as well as on levels of administrative efficiency. Concepts of ‘policy styles’ were also part of this first wave of European implementation studies, observed as determining the decision-making environment for the majority of policy problems (Richardson, 1982). Interestingly, it was found that the most important issues were those most likely to be settled outside of the dominant policy style (Jordan & Richardson, 1983). This indicated that problem typologies (classes) were a critical element of understanding adherence to, or divergence from, a given policy style. ‘Policy styles’, or paradigms (Hall, 1993), as a framing mechanism has retained its position in current implementation literature (Daigneault, 2013), continuing to offer an explanatory tool for many observable processes.

As policy implementation studies matured in a European context, internal EU policy assessments accounted for much of the implementation literature. Such studies evolved to include several streams, most common of which have become policy relationships within the central EU institutions (Council, Commission, Parliament). These ‘inner institutional’ studies have established themselves as one of the core subject areas of EU implementation studies. Within this grouping, common focal points include the resolution of policy controversy (Thomson, 2011), and changing policy dynamics amongst the principal EU governing bodies (Bauer, 2006; Bouwen, 2009). Additionally important has been the recognition of just how remarkable it is that amidst the sometimes ‘messy’ nature of EU public policy, which incorporates a wide range of interests and policy approaches, that there has emerged a consistent policy system at all (Richardson, 2006).

Another internally-based arena for EU implementation research has been the study of dynamics between central and peripheral actors. In most cases these distinctions refer to centralised versus national (member state) actors, although regional bodies, civil society actors and other interest groups may also be considered as peripheral organisations. The ability of the principal EU governing bodies to leverage EU norms in seeking member state implementation compliance has been at the centre of this area of study (Blom-hansen, 2005). As Mahoney has written, central institutions possess the resources to significantly ‘influence the dynamics’ of peripheral systems (Mahoney, 2004). This includes member state leverage of EU principles to influence national policy processes as well as the spread of EU norms working to limit ‘state capture’ by political elites (Dimitrova & Buzogány, 2014, p. 140). The adoption of EU directives within member states has been framed through the concept of ‘transposition success’, a process that is often found to be dependent on the concurrence of the EU policy requirements with those in the domestic political sphere (Zhelyazkova & Torenvlied, 2011). From a member state point of view, has been the notion of ‘comitology’, protecting national interests in the face of wider agendas by allowing member states a degree of influence over potentially burdensome implementation measures (Dimitrakopoulos & Richardson, 2001, p. 7).

Accompanying internal implementation studies have been scholarly investigations of policy assessment tools. One of the most universal in European policy circles is Regulatory Impact Assessment (RIA), which has become embedded in policy processes across the EU. The chronological phases of RIA help incorporate stakeholder input

throughout the policy cycle, and its incorporation into the policy process may increase a measure's sense of legitimacy (C. Radaelli, 2005). Within RIA, policy learning has emerged as a critical element (C. M. Radaelli, 2009), as one of its primary points of emphasis lies in the importance of linking policy appraisal research to practical policy making (Turnpenny, Radaelli, Jordan, & Jacob, 2009).

Beyond EU-internal studies are implementation studies around EU external governance, within which sit topics such as EU enlargement, 'Europeanisation' and 'European integration'. These streams have emerged around commonly held EU values: democratisation, rule of law, and efficient regulatory environments, amongst others. From a foreign policy perspective, EU-external studies include policy mechanisms such as the Eastern Neighbourhood Programme and the Eastern Partnership, which both shape external governance systems as well as laying foundations for future potential EU enlargement. A common debate around external governance capabilities is whether it is possible to have 'accession conditionality without accession' (Wolczuk, 2009), and the range of scholarly opinion on the topic is wide. Some scholars have referred to the 'transformative power' of the EU (Heather Grabbe, 2005), positing that the EU is capable of influencing policy adoption in neighbouring nations, even without the promise of accession. Indeed, many scholars recognise that the EU's external mechanisms have been 'instrumental' in helping transition nations combat their own domestic challenges to continued democratic reforms (Schimmelfennig & Scholtz, 2008). It has been noted, however, that EU external governance becomes 'weaker and inconsistent' when anything less than prospective membership is offered (p. 190). This is in part due to the fact that the EU's tools are not always wielded consistently, especially in the multi-layered interactions around 'Europeanisation' in post-communist nations (H. Grabbe, 2003, p. 20). Lavenex has termed EU-external governance 'the extension of internal rules and policies beyond formal membership', and her work has explored themes of asymmetric governance, which manifest when third countries do not have adequate 'capacity' to work on par with their EU partners (Lavenex, 2008, p. 946). This has resulted in 'popular frustration' with EU directives in neighbouring nations (Trauner, 2009), as well as accounting for the frequent discrepancy between EU-influenced 'rule adoption' and nationally implemented 'rule application' (Freyburg, Lavenex, Schimmelfennig, Skripka, & Wetzel, 2009). Recent literature has summarised these various findings, explaining that while:

The EU has shown its ability to establish institutional order in its neighbourhood without at the same time expanding its membership, this order is more sectorally fragmented and differentiated and less 'Europeanized' than the order projected through enlargement (Lavenex & Schimmelfennig, 2009, p. 808).

These conclusions have been echoed by scholars across multiple disciplines, as will be shown during the more detailed discussion around EU external governance in the thesis-specific context of Ukraine in Chapter 4.

Other parts of the world, including Australia and New Zealand, have also contributed to policy implementation scholarship, but the scope of this literature survey does not extend beyond the above references. Because of the unique relationship between the EU governing bodies and the Ukrainian government, (European Commission, 2010; European Union Council, 2010; European Union External Action Service, 2011), the implementation analysis employed in this research stems primarily from EU norms.

3.5 Policy implementation in transition nations

As mentioned in Chapter 1, very little work has been done in the post-Soviet space from a policy implementation point of view. Some scholarship has been conducted in the former Eastern Bloc countries, many of which have now joined the EU, but the focus has been more on policy creation and analysis than implementation

(McIntyre, 2003a; Smallbone & Welter, 2009). However, in the Eastern European countries that have not joined the EU, very little express policy research has been conducted. This holds true for this thesis' case study of Ukraine, where policy research has rarely been a focal point and only a small percentage of research has been conducted in or translated into English. Differing academic traditions have meant that even the occasional English language publication by Ukrainian scholars may be overlooked by Western scholarship. This thesis therefore uses traditionally western implementation analysis frameworks for the conditions in Ukraine, applying tried and tested tools as a starting point for developing a framework more suited to the Ukrainian situation. One of the foremost considerations in this context will be the centralised nature of government administration (Goetz, 2001), which to some degree sets the conditions for what types policy analysis are applicable. By working towards a model that fits the socio-economic conditions and political culture of post-Soviet Europe, this research may lay the groundwork for more fruitful future implementation research in the region.

Perhaps most importantly, incorporating policy research more meaningfully into post-Soviet scholarship may allow for an increased relationship between implementation scholarship and other post-communist disciplines. The mutual benefits of such increased interaction could spill over into democracy studies, nations in transit, and the evolution of market economies (types of capitalism), as just a few examples. Policy implementation studies could also be enriched through enhanced relationships with other disciplines, as scholars have long recognised the interdisciplinary nature of policy studies. Amongst policy scholars, the importance of 'non-core' implementation scholarship has been discussed with some frequency (Saetren, 2005). As posited by Barrett:

No one discipline can claim to be the exclusive home for policy studies, and there are substantial benefits for theory development in synthesizing ideas from a plurality of disciplines addressing similar issues from different perspectives (Barrett, 2004, p. 261).

It is useful here to reconsider the starting point from which implementation studies began, as a practical tool for policy practitioners. As seminal scholar Wildavsky wrote:

It is not resolution of policies but evolution that should interest us. How well, we should ask, have we detected and corrected our errors? More to the point, are we better able to learn from today's errors that we were from yesterday's? (Wildavsky, 1979, p. 23)

It is with these intentions that this research strives to incorporate the key elements of policy implementation tradition into a new model suited for measuring conditions post-Soviet Europe.

3.6 Part II - Institutions, public governance and Soviet leftovers: a review of the SME literature

Initial scholarship on SMEs is often attributed to Joseph Schumpeter, whose Theory of Economic Development brought attention to the entrepreneur as key player in the economy. Schumpeter's work highlighted the interaction effects between entrepreneurial firms and their economic environment, demonstrating how the classic business life cycle (firm creation, growth, market exit) helps maintain a healthy economy. Individual firms progressing along the business cycle create continuous opportunities for market entry and, as SMEs are known to begin and end more quickly than large firms, their contribution to the constant renewal of the economic landscape is especially impactful. For this reason, Schumpeter termed entrepreneurs 'the vehicle of continual reorganisation of the economic system' (Schumpeter, 1961), a process commonly referred to as 'creative destruction'. The basis for this process is the entrepreneur's increased likeliness to accept risk, thus enabling business decisions that result in

increased innovation. Nearly a century after Schumpeter began writing, he has remained the original champion of the small scale entrepreneur, and is generally accepted as the modern scholar who defined the entrepreneur as the ‘persona causa of economic development’ (Acs, 2003, p. 31).

SME scholarship fell out of fashion later in the 20th century as research trends turned towards large businesses and corporations. It was not until the economic stagnation of the 1980s that many parts of the world experienced a resurgence of small business.⁸ Carree and Thurik provide a thorough survey of the factors that contributed to this economic shift back towards small and medium firms, which renewed recognition of the uniquely important role SMEs play (M. A. Carree & Thurik, 2010). As a result, SME scholarship again gained popularity, with the field expanding to address new topics in entrepreneurship and small business theory.

A primary theme that emerged from the SME revival was that of the individual firm as a critical spoke in the economic wheel. Scholars such as Birch presented a picture of small businesses as economic catalysts, whose cumulative impact influenced the job market much more significantly than had previously been imagined.

Small firms, despite their difficulties in obtaining capital and their inherently higher death rates are still, on balance, the major generators of new jobs in our economy and, in slower growing areas, the only significant provider. Any economic development policy aimed at stimulating job growth must come to grips with this reality. It is not the relatively few large corporations, about which we hear so much in the press, that are bringing stability to older areas. It is the thousands of anonymous smaller firms that are carrying all the burden in the older sections of our country - and the lion's share in the growing areas as well (Birch, 1979, p. 31).

Later, Audretsch confirmed Birch’s assertion, noting that:

In every major sector (*in the USA*) (1) the birth rate of SMEs exceeds that in large corporations, (2) the death rate of SMEs exceeds that of large corporations, (3) the expansion rate of SMEs exceeds that of large corporations, (4) the contraction rate of large corporations exceeds that of SMEs, and (5) the net employment gain is the greatest in SMEs (Audretsch, 2002, p. 22).⁹

This growing acknowledgement of small and medium firms as employment generators helped secure SME scholarship as an established field. Although the data in Birch’s study was later questioned for its reliability (Birley, 1986, p. 361), his study nonetheless drew attention towards the effects of the business cycle on the wider economy. As phrased by Acs:

Entrepreneurship carries out essential social function as a mechanism of economic change [and] gives rise to continued self-generated growth (Acs, 2003, p. 31).

This understanding of entrepreneurs, not only as economic contributors but also as part of a rich social fabric, has only become more prevalent throughout the development of SME scholarship. As the field matured, scholars identified thematic inquiries, giving direction to future research. One such theme was the question of the ‘generalizability’ of SME studies. How transferable were conclusions outside of the locality in which data had been collected? Could results from one study be applied to another geographical region, or even nation? Although this matter has arisen in many fields, within SME scholarship it has been particularly problematic, due to the highly nuanced political and cultural specificities of a business environment. Another theme concerned government interaction with SMEs. Should SME assistance be based more towards sectors that are performing well, as they have already demonstrated their ability to grow? Or should governments focus their attention on less active sectors that might be better served by additional help? In either instance, was it preferable to focus more upon economic growth or job generation, and did

⁸ In some parts of the world, recognition of the small firm may have begun somewhat earlier (Bolton, 1971).

⁹ Italics added by author

one necessarily beget the other? A third theme was the question of how direct strategic intervention should be, and at what stage in the business cycle firms most benefit from assistance. Was it better to boost start up rates or wait until the stronger firms have navigated their initial survival before offering assistance (Birley, 1986)? Many of these questions have become pillars of ongoing research and thusly still guide SME scholarship today.

The economic contribution of the firm can be broken down into several components, most of which go beyond direct monetary input towards an economy (Casson & Buckley, 2010). The more dynamic behaviour of SMEs, as compared to that of large firms, is particularly likely to incorporate the creative process of innovation. It is widely accepted that the 'generation, dissemination, and application of innovative ideas' occurs in higher proportion in entrepreneurial firms than elsewhere (Audretsch, Keilbach, & Lehmann, 2006, p. 7). The idea has been termed 'newness' (M. A. Carree & Thurik, 2010), which portrays SMEs as 'agents of change' (Audretsch, 2002). Concepts of innovation are closely related to 'knowledge spillover', which refers to idea dissemination beyond the innovating firm into the wider market. Knowledge spillover can occur through both formal and informal networks, enriching the ideas market through individual exchanges (Audretsch et al., 2006, p. 59). The results of this process may attract investors or inspire start-ups, both of which in turn contribute to economic growth. Acs and Szerb explain this behaviour as monetising opportunities, noting that:

Entrepreneurship makes a unique contribution to economic growth by permeating the knowledge filter and commercializing ideas that would otherwise remain uncommercialized (Acs & Szerb, 2007, p. 112).

Thus it is generally accepted that, through varied market processes entrepreneurial SMEs often contribute to economic growth (Casson & Buckley, 2010), a conclusion derived from numerous empirical studies (Audretsch, 2002). However, it should be noted that this is not always the case (Frederick & Monsen, 2011), especially outside the context of western, pluralist democracies. Within the wider SME literature, some scholars have documented that the causal connections between entrepreneurship and economic growth may be clear only in mature market economies (Stevenson & Lundström, 2001). The uncertain business environment found in transition economies, such as Ukraine, may retard market processes rather than fostering the spread of knowledge and creativity. This does not mean that SMEs in transition nations are bad for their economies, simply that small and medium firms' contribution in this context will be more about self-realization and personal wealth of the firm owner than economic growth at a macro level (M. A. Carree & Thurik, 2010, p. 586). When, however, accrued personal wealth consistently improves the financial position of individuals on a society-wide scale, the existence of a middle class may stabilise. This in turn creates an increasingly educated and self-mobilised population, whose demand for reliable, established institutions may improve infrastructural business support (Smallbone & Welter, 2012). This chain of events, whereby SMEs come to interact more dynamically with their local economies, is in part influenced by the characteristics of individual firm owners.

Firm owner profiles are another key theme in SME studies. Within this theme, Wennekers and Thurik identify three types of entrepreneurs - Schumpeterian entrepreneurs (serial entrepreneurs in start-ups/young SMEs), intrapreneurs (entrepreneurially minded managers at larger firms), and managerial business owners (SME owners who actively grow their firms) (M. A. Carree & Thurik, 2010, p. 565). The frequent overlap between SMEs and entrepreneurs causes some confusion amongst scholars and policy makers. Casson has noted that the marginalisation of entrepreneurship as an area of study has contributed to this definitional difficulty, which is one of reasons mainstream economics has been reluctant to incorporate the effects of entrepreneurship into its theories (Casson &

Buckley, 2010, p. 4). As mentioned in Chapter 1, this thesis is concerned only with SMEs, both entrepreneurially-minded firms and those operated proprietarily. It is not concerned with entrepreneurs operating in arenas other than SMEs.

Profile characteristics of the individual entrepreneur potentially include many additional elements. Baumol has made distinctions between 'productive' and 'unproductive' entrepreneurship, claiming that it is the ever-changing economic 'reward structure' that leads individuals to make more productive (or unproductive) business decisions (Baumol, 1990, p. 894). Personality traits also play a role in owner profiles, namely in the differentiation between entrepreneurs and proprietors. Entrepreneurs are committed to growing their businesses through the accumulation of capital, an undertaking that often requires individual risk. On the other end of the spectrum are proprietors, or 'shopkeepers', who do not tend to engage in long term strategic visions for their firms, generally consuming (rather than reinvesting) any profits (Scase, 1997). This concept is especially relevant in a post-communist context, as many SMEs in transition nations begin from economic necessity and have little motivation for expanding business operations. As these economies grow closer to free market models, these patterns may shift to see more SMEs interested in firm growth.

Notions of skill and good sense also play a role in defining SME owner profiles. Identifying opportunities, understanding market links and building trusted networks are examples of useful skill sets for business ownership. The variability of the business environment often requires firm owners to make quick decisions and operational adjustments. An individual firm owner who consistently navigates these challenges well will most likely have greater business success in the long run. This attribute of 'good judgement', usually combined with a bit of luck, may help some entrepreneurs succeed where others fail (Casson & Buckley, 2010). Acs refers to the utilization of these skill sets as 'routinized social hierarchy creatively disrupted by the 'gifted few' (Acs, 2003, p. 31), confirming the conviction amongst scholars that true entrepreneurs are a unique breed.

Part of analysing the SME owner includes understanding individual motivation for operating a firm. Reasons can vary but some of the most common include: 1) a lack of current employment options in the market (creating a firm as self-employment) 2) a desire to be one's own boss; 3) only part time work is needed to supplement income; 4) standard employment is unfulfilling and/or does not make use of one's talents (Casson, 1982, p. 300). Of these motivations, the second and fourth are especially indicative of another consideration in firm owner motivation: quality of life. This aspect is especially relevant for this research as in the Ukrainian context it tends to be overlooked. The focus in post-Soviet contexts, at least from a governmental point of view, emphasises the economic value of SMEs, virtually ignoring their contribution to the quality of citizens' lives. SME owners often experience greater job satisfaction, as do their employees, as the 'family-style' environment at a small firm tends to create an increased sense of belonging and job commitment (Akehurst, Comeche, & Galindo, 2009). This increased sense of fulfilment on the part of both owners and employees recalls earlier mention of middle class lifestyles. In a transition nation such as Ukraine, where firm ownership is inevitably intertwined with the political struggle for transparent government, SME owners with vested interests may be more likely to fight for the improvement of institutions that will increase market stability and individual rights within the system.

SME literature includes a sizeable body of work produced by international agencies, which demonstrates the prevailing wisdom that SMEs are critical for healthy economies (and societies). The International Finance Corporation (IFC), together with the World Bank, has been conducting research on business environments around the world since

2003. Compiled annually into the comprehensive report, *Doing Business*, the dataset includes information covering 185 nations across a wide range of indicators (World Bank, 2013). Ease of starting a business, paying taxes, enforcing contracts, and employment regulations are a few of the *Doing Business* relevant indicators for this thesis. In addition to its impact in academic circles, many of the key respondents for this research were aware of *Doing Business*, and in interviews it was cited with some frequency.

The Global Entrepreneurship Monitor (GEM) is another international organisation whose reports are becoming part of the SME and entrepreneurial literature. GEM focuses broadly on strategies that ‘contribute to global economic development’, providing tools for scholars and policy makers through data that highlights individual countries’ ‘entrepreneurial profile’. GEM reports focus on early stage entrepreneurs, with a particular interest those who are ‘necessity-driven’ (Bosma, Wennekers, & Amorós, 2011).

The European Bank of Reconstruction and Development (EBRD), in conjunction with the World Bank Group, produces an annual dataset called Business Environment and Enterprise Performance Survey (BEEPS). BEEPS surveys firm managers to determine the ‘quality of the business environment’ in post-communist regions of Europe and Central Asia (European Bank of Reconstruction and Development, 2013). Most of the reports produced by the international organisations here listed are geared towards practical objectives, providing policy makers with empirical data in order to improve the policy environment for SMEs.

3.7 Public policy for SMEs: A balance between public and private support

As noted in the previous section, there can be considerable differentiation between the definition of an SME owner and that of an entrepreneur. This issue becomes especially pertinent when considering the issue of public policy. Examples of what distinguishes SME policy from entrepreneurship policy may include: a focus on firms versus individuals; targeting existing businesses versus early-stage start-ups; and creating a favourable business environment versus creating a favourable culture for entrepreneurs (Stevenson & Lundström, 2001). Some scholars consider entrepreneurship policy as the preferred tool for creating an enabling business environment, seeing SME policy as confining entrepreneurs to a standard business model (Henrekson & Stenkula, 2010). Entrepreneurship policy, for example, might be especially concerned with ‘commercialising knowledge’ (Audretsch, 2002), by promoting research and development and enabling venture capital. This research includes entrepreneurship policy within its definition of SME policy, as there are scholars who question the overt separation of the two policy types in a wider context. Acs claims that there is no such thing as ‘entrepreneurship policy’, only policy in an ‘entrepreneurial economy’ (Acs & Szerb, 2007), while others note that:

Most business owners are neither pure Schumpeterians nor pure shopkeepers but share the attitudes associated with these extremes in a varying degree (M. Carree, Stel, Thurik, & Wennekers, 2002, p. 273).

Furthermore, the differentiation between entrepreneurship and SME policies is minimal in the Ukrainian context, adding further justification for treating the two under one heading in this thesis.

3.8 Macro and micro level policies

Policies that are explicitly SME-focused account for only part of the picture. Many elements of the business environment arise from broader policies (social, financial, infrastructural) that influence the business environment for small and large firms alike (Cameron & Massey, 1999; Dennis Jr., 2011a, 2011b; Smallbone & Welter, 2009). These

types of policies may be understood as macro-level policies, and scholars agree that it is their presence (or lack thereof) which often most impacts SMEs.

‘Small business’ or ‘entrepreneurship’ policies, narrowly defined, either do not exist, or exist but are not implemented, or are implemented but affect so few businesses that they may be considered marginal to the entrepreneurship that develops. By contrast, policies related to taxation and the regulatory environment, and the behaviour of the institutions responsible for implementing them, affect most businesses to some degree (Smallbone & Welter, 2010, p. 331).

Dennis agrees with Smallbone and Welter, reminding researchers that ‘the public policy most important to owners frequently has nothing to do with what we term entrepreneurship or small business policy’ (Dennis Jr., 2011b, p. 159). He has suggested a typology of SME policies, defining four types of ‘policy levers’ that impact SMEs. From the more abstract, macro-level typologies of ‘institutions and culture’ and ‘competition and intermediaries’, to the more focused, micro-level typologies of ‘impediments and supports’ and ‘objectives and actions’, all have the potential to create varying policy environments across a strategic spectrum. Awareness of all four typologies, and their respective implications, may assist policy makers in effecting better decisions (Dennis Jr., 2011a, 2011b).

Cameron and Massey also distinguish between macro and micro level policy impact on SMEs. They classify government SME policy as falling into two categories: laws and regulations guiding businesses towards the overall economic strategy of the day, and small business support measures. The former includes legislative and executive governmental bodies responsible for policy making, as well as lobbying coalitions responsible for transmitting SME preferences to policy makers (Cameron & Massey, 1999). The macro-level also encompasses legal mechanisms for protecting property rights, market competition, and market entry and exit (Welter, 1997). Macro-level measures also include informal institutions, including societal norms of acceptance towards an ‘entrepreneurial culture’ (Welter & Smallbone, 2011, p. 4). The latter policy category, the micro-level, tends to fall to the local arena, often increasingly so as programmes evolve. Often managed by local government agencies and/or business associations, support programmes may include development assistance for start-ups, business mentor schemes, seminars for upskilling, entrepreneurship training for unemployed workers, business incubators, and other measures (Cameron & Massey, 1999).

The concept of support measures in turn raises questions regarding healthy levels of intervention in SME market behaviour. Some scholars advocate policies that compensate for SMEs’ ‘disadvantaged’ position in relation to large firms. This can include barrier reduction and assistance around accessing research and development resources, improved bargaining power with financial institutions, and other issues that may confront SMEs more starkly than large businesses (McIntyre, 2003a). Other schools of thought, however, consider that SME level of productivity (or potential productivity) should play a role in determining how much assistance to provide (Baumol, 1990). In transition nations, where SME support measures are far less institutionalised than in mature market economies, such debates are less relevant. In nations such as Ukraine, micro-level support infrastructure has not yet been a common enough occurrence to have significantly influenced the SME landscape.

3.9 SME policy in a transition context: Administrative and institutional obstacles

Being an entrepreneur in a post-communist transition country is particularly difficult. Fluctuating levels of democracy and a societal resistance to individual entrepreneurship are just two cultural obstacles present across post-Soviet Europe. Both of these qualities are inherited from what is often referred to as Soviet ‘mentality’ (Korostelina, 2013; Kuzio, 2011), not unsurprising features of a country transitioning away from paradigms of collective property

and nearly a century of centralised economic policy. Like democratic governance, SME policy and performance across Central and Eastern Europe (CEE) varies greatly.

A key feature of post-communist countries that have succeeded in consistently growing their SME sectors has been the presence of stable business support infrastructure. Without a stable framework for supporting business activities, SMEs will be challenged in very basic ways, forced to spend much of their time dealing with legal and political administrative issues. On one end of this spectrum are the Central European nations, where building business support infrastructure was emphasised early in their respective transitions, a decision that seems to have paid off in terms of SME performance (Dyker, 2000).

The classic institutional complement governing the business environment (present in most western market economies) includes: the right to private property, freedom of movement, business confidentiality, protection of intellectual property (IP), an impartial judicial system, a stable currency, and protection against illegal government intervention in the market (Casson & Buckley, 2010, p. 30). Secure institutions that protect the functionality of these conditions create stability in the business environment (Anos-Casero & Udomsaph, 2009, p. 30). Institutions differ from policies in that institutions have 'durability' (North, 1990), whereas policies are often easier to reverse (Acemoglu & Robinson, 2006, p. 177).

Institutions, by their nature, are durable - that is, the institutions of today are likely to persist until tomorrow...they regulate the future allocation of political power (Acemoglu & Robinson, 2006, p. 24).

Scholars have referred to institutions as the 'rules of the game' (Baumol, 1990), noting that business practices in an economy will mould themselves to the nature of working institutions. Baumol termed this the 'reward structure' of a given system (1990, p. 894), noting that SMEs will only put as much in as they can get back. In a country such as Ukraine, where institutions are less stable than in neighbouring Central Europe, this may indicate that SMEs are performing to a lower common denominator than that of which they are capable.

In their work on SMEs in transition nations, Smallbone and Welter continually stress the importance of both cultural and institutional support mechanisms to improve SME performance. The improvement of institutional infrastructure is closely linked to increased levels of democracy, as well as the aforementioned existence of a stable middle class. The literature on democratisation indicates that the responsibility for change lies with the advocacy groups, as the motivation to reform the system rarely comes from those already in power (Acemoglu & Robinson, 2006). An important element of this process may be 'trust networks', informal associations that function both within and outside the formal institutional order (Tilly, 2007). These networks often originate from professional acquaintanceships, acting as a kind of 'gap-filler' in weak institutional systems. Improvements to the business support infrastructure occur most reliably when these networks engage as a cohesive whole with the state administration, such as when business associations participate in government round tables. However, this process can be stunted by the reluctance of informal associations to dialogue directly with the government.

So long as they remain entirely segregated from regimes, however, trust networks constitute obstacles to democratization; their segregation blocks members' commitment to democratic collective enterprises. Democratization becomes possible when trust networks integrate significantly into regimes, and thus motivate their members to engage in mutually binding consultation [with the state] (Tilly, 2007, p. 74).

McIntyre identifies four types of actions that can invigorate the SME sector in transition nations. Firstly, SMEs need to be pushed past their habitual avoidance of institutional infrastructure, encouraging them to make use of what (limited) resources are available. This increased demand for resources will subsequently advance the creation of

(quality) institutions. Secondly, SMEs need to be vertically integrated within a framework of large enterprises. This creates SME job opportunities through outsourcing, and may also improve the efficiency of the big business sector. SMEs also need to integrate into international production chains. In addition to increasing a firm's capital, interactions with internationally-based firms potentially improve standards and practices in associated SMEs. Finally, SMEs need to integrate horizontally, improving their own business networks and advocacy organisations. This self-sufficiency contributes immeasurably towards the overall health of the sector, although it is in many ways the most difficult action to accomplish (McIntyre, 2003a, p. 220). Pushing SMEs to 'own' the creation of their own well-being requires deep cultural shifts that need time to sift into the fabric of societal expectations. It also requires a more balanced partnership with public institutions, a condition that is often lacking in post-Soviet Europe.

From a governance perspective, the behaviour of public institutions is far from open, with the power of the state absolute. This is part of a wider absence of accountability, with poorly defined roles of public institutions involved in regulating and influencing private business activity; and a frequent lack of connection between policy pronouncements and actions by the state, particularly with respect to financial support measures (Smallbone & Welter, 2010, p. 327).

The fact that many post-communist transition nations struggle with creating and maintaining a strong SME sector is due in large part to the insufficiencies detailed above. Across the post-Soviet region, weak institutional infrastructure is perhaps the primary obstacle in SME growth. McIntyre writes that:

Failure of productive SME development in the transition period thus appears to be more a function of policy and missing institutional support, combined with the weakness of large enterprises, rather than something unique to transition per se (McIntyre, 2003b, p. 4).

This notion harkens back to the first half of this chapter, emphasising the importance of institutional arrangements in wider policy environments. As the experience of SMEs in transition nations has demonstrated to date, institutional weakness can be detrimental to a healthy business environment.

References Cited

- Acemoglu, D., & Robinson, J. A. (2006). *Economic origins of dictatorship and democracy*. Cambridge ; New York: Cambridge University Press.
- Acs, Z. J. (2003). The Historical Role of the SME Sector in Developing and Developed Capitalist States. In R. J. McIntyre & B. Dallago (Eds.), *Small and Medium Enterprises in Transitional Economies* (pp. 18-35). Houndmills, Basingstoke, Hampshire, New York: Palgrave Macmillan.
- Acs, Z. J., & Szerb, L. (2007). Entrepreneurship, Economic Growth and Public Policy. *Small Business Economics*, 28, 109–122.
- Akehurst, G., Comeche, J., & Galindo, M.-A. (2009). Job satisfaction and commitment in the entrepreneurial SME. *Small Business Economics*, 32(3), 277-289.
- Allison, G. T., & Halperin, M. H. (1972). Bureaucratic Politics: A Paradigm and Some Policy Implications. *World Politics*, 24, 40-79.

- Anos-Casero, P., & Udomsaph, C. (2009). What Drives Firm Productivity Growth? In E. E. a. C. A. D. E. P. Sector (Ed.), *Policy Research Working Paper 4841*: World Bank.
- Audretsch, D. B. (2002). The Dynamic Role of Small Firms: Evidence from the U.S. *Small Business Economics*, 18(1-3), 13-40.
- Audretsch, D. B., Keilbach, M. C., & Lehmann, E. E. (2006). *Entrepreneurship and Economic Growth*. New York: Oxford University Press.
- Bardach, E. (1977). *The Implementation Game: What Happens After a Bill Becomes a Law*. Cambridge, Massachussettes; London, England: MIT Press.
- Barrett, S. M. (2004). Implementation Studies: Time for a Revival? Personal Reflections on 20 Years of Implementation Studies. *Public Administration*, 82(2), 249-262.
- Bauer, M. W. (2006). Co-managing programme implementation: conceptualizing the European Commission's role in policy execution. *Journal of European Public Policy*, 13(5), 717 - 735.
- Baumol, W. (1990). Entrepreneurship: Productive, Unproductive and Destructive. *Journal of Political Economy*, 98(5), 893-921.
- Birch, D. L. (1979). The Job Generation Process *M.I.T. Program on Neighborhood and Regional Change*. Cambridge, Massachussettes: M.I.T.
- Birley, S. (1986). The Role of New Firms: Births, Deaths and Job Generation. *Strategic management journal*, 7(4), 361-376.
- Blom-hansen, J. (2005). Principals, agents, and the implementation of EU cohesion policy. *Journal of European Public Policy*, 12(4), 624-648.
- Bolton, J. E. (1971). Small firms: Report of the commission of inquiry on small firms. London: Her Majesty's Stationary Office.
- Bosma, N., Wennekers, S., & Amorós, J. E. (2011). Global Entrepreneurship Monitor 2011 Extended Report: Entrepreneurs and Entrepreneurial Employees Across the Globe: Global Entrepreneurship Monitor.
- Bouwen, P. (2009). The European Commission. In D. Coen & J. Richardson (Eds.), *Lobbying the European Union: Institutions, Actors, and Issues*. Oxford: Oxford University Press, USA.
- Cameron, A. F., & Massey, C. (1999). *Small and Medium-sized Enterprises: A New Zealand Perspective*. Auckland, N.Z.: Longman.
- Carree, M., Stel, A. v., Thurik, R., & Wennekers, S. (2002). Economic Development and Business Ownership: An Analysis Using Data of 23 Countries in the Period 1976-1996. *Small Business Economics*, 19(3), 271-290.
- Carree, M. A., & Thurik, A. R. (2010). The Impact of Entrepreneurship on Economic Growth. In Z. J. Acs & D. B. Audretsch (Eds.), *Handbook of Entrepreneurship Research: An Interdisciplinary Survey and Introduction* (Vol. 5): Springer Science and Business Media, LLC.
- Casson, M. (1982). *The Entrepreneur: An Economic Theory*. Oxford: Martin Robertson.
- Casson, M., & Buckley, P. J. (2010). *Entrepreneurship: Theory, Networks, History*. Cheltenham, Northampton: Edward Elgar.
- Daigneault, P.-M. (2013). Reassessing the concept of policy paradigm: aligning ontology and methodology in policy studies. *Journal of European Public Policy*, 21(3), 453-469.
- Dennis Jr., W. J. (2011a). Entrepreneurship, Small Business and Public Policy Levers - Part 1. *Journal of Small Business Management*, 49(1), 92-106.
- Dennis Jr., W. J. (2011b). Entrepreneurship, Small Business and Public Policy Levers - Part 2. *Journal of Small Business Management*, 49(2), 149-162.
- Dimitrakopoulos, D., & Richardson, J. J. (2001). Implementing EU Policy *European Union: Power and policy-making* (2nd ed., pp. xvi, 388p.). New York London: Routledge.
- Dimitrova, A., & Buzogány, A. (2014). Post-Accession Policy-Making in Bulgaria and Romania: Can Non-state Actors Use EU Rules to Promote Better Governance? *Journal of Common Market Studies*, 52(1), 139-156.
- Dunsire, A. (1978). *The Execution Process*. Oxford: Martin Robertson.
- Dyker, D. A. (2000). Economic performance in the transition economies: a comparative perspective. *Science and Public Policy*, 27(4), 275-283.
- European Bank of Reconstruction and Development. (2013). *Business Environment and Enterprise Performance Survey (BEEPS)*. Retrieved from <http://ebrd-beeps.com/> on 7 December 2013.
- European Commission. (2010). *Implementation of the European Neighbourhood Policy in 2009 - Progress Report Ukraine*. Brussels.
- European Union Council. (2010). *14th EU-Ukraine Summit*. Brussels: European Union.

- European Union External Action Service. (2011). *European Union External Action Service. Eastern Partnership*. Retrieved from http://eeas.europa.eu/eastern/index_en.htm on 11 July 2011.
- Frederick, H., & Monsen, E. (2011). New Zealand's perfect storm of entrepreneurship and economic development. *Small Business Economics*, 37, 187–204.
- Freyburg, T., Lavenex, S., Schimmelfennig, F., Skripka, T., & Wetzel, A. (2009). EU promotion of democratic governance in the neighbourhood. *Journal of European Public Policy*, 16(6), 916–934.
- Goetz, K. H. (2001). Making sense of post-communist central administration: modernization, Europeanization or Latinization? *Journal of European Public Policy*, 8(6), 1032–1051.
- Goggin, M. L. (1990). *Implementation theory and practice: Toward a third generation*. Glenview, Ill: Scott, Foresman/Little, Brown Higher Education.
- Grabbe, H. (2003). Europeanization goes east: power and uncertainty in the EU accession process. *The politics of Europeanization*, 27, 303–329.
- Grabbe, H. (2005). *The EU's transformative power: Europeanization through conditionality in Central and Eastern Europe*. Houndmills, Basingstoke, Hampshire ; New York: Palgrave Macmillan.
- Gunn, L. (1978). Why is Implementation so Difficult? *Management Services in Government*, November.
- Gustafsson, G., & Richardson, J. J. (1979). Concepts of Rationality and the Policy Process. *European Journal of Political Research*, 7, 415–436.
- Hall, P. (1993). Policy paradigms, social learning, and the state: the case of economic policymaking in Britain. *Comparative politics*, 275–296.
- Henrekson, M., & Stenkula, M. (2010). Entrepreneurship and Public Policy. In Z. J. Acs & D. B. Audretsch (Eds.), *Handbook of Entrepreneurship Research - An Interdisciplinary Survey and Introduction* (Vol. 5).
- Hill, M., & Hupe, P. (2003). The Multi-layer Problem in Implementation Research. *Public Management Review*, 5(4), 471–490.
- Hill, M. J., & Hupe, P. L. (2002). *Implementing public policy : governance in theory and practice*. London: Sage.
- Hjern, B., Hanf, K., & Porter, D. (1978). Local networks of manpower training in the FRG and Sweden. *Interorganizational policy making*, 304–341.
- Hogwood, B. W., & Gunn, L. A. (1984). *Policy Analysis for the Real World*. Oxford [Oxfordshire] ; New York: Oxford University Press.
- Hood, C. C. (1976). *The Limits of Administration*. London; New York; Sydney; Toronto: John Wiley & Sons.
- Jordan, A. G., & Richardson, J. J. (1983). Policy Communities: The British And European Policy Style. [Article]. *Policy Studies Journal*, 11(4), 603–615.
- Korostelina, K. V. (2013). Ukraine twenty years after independence: Concept models of the society. *Communist and Post-Communist Studies*, 46, 53–64.
- Kuzio, T. (2011). Political Culture and Democracy: Ukraine as an Immobile State. *East European Politics and Societies*, 25(88).
- Lasswell, H. D., & Kaplan, A. (1950). *Power and Society: A Framework for Political Inquiry*. New Haven: Yale University Press.
- Laurence J. O'Toole, J. (1986). Policy Recommendations for Multi-Actor Implementation: An Assessment of the Field. *Journal of Public Policy*, 6(2), 181–210.
- Lavenex, S. (2008). A Governance Perspective on the European Neighbourhood Policy: Integration Beyond Conditionality?'. *Journal of European Public Policy*, 15(6), 938–955.
- Lavenex, S., & Schimmelfennig, F. (2009). EU rules beyond EU borders: Theorizing external governance in European politics. *Journal of European Public Policy*, 16(6), 791–812.
- Mahoney, C. (2004). The Power of Institutions : State and Interest Group Activity in the European Union. *European Union Politics*, 5(4), 441–466.
- Mazmanian, D. A., & Sabatier, P. A. (1983). *Implementation and public policy*. Glenview, Ill.: Scott, Foresman.
- McIntyre, R. J. (2003a). Conclusions: The Role of Public Policy in SME Development. In R. J. McIntyre & B. Dallago (Eds.), *Small and Medium Enterprises in Transitional Economies*. Houndmills, Basingstoke, Hampshire, New York: Palgrave Macmillan.
- McIntyre, R. J. (2003b). Small Enterprises in Transition Economies: Casual Puzzles and Policy-Relevant Research. In R. J. McIntyre & B. Dallago (Eds.), *Small and Medium Enterprises in Transitional Economies*. Houndmills, Basingstoke, Hampshire, New York: Palgrave Macmillan.
- Milward, H. B., & Provan, K. (2003). Managing the hollow state: Collaboration and contracting. *Public Management Review*, 5(1), 1 - 18.

- North, D. C. (1990). *Institutions, institutional change, and economic performance*. Cambridge ; New York: Cambridge University Press.
- O'Toole, J., Laurence J. (2000). Research on Policy Implementation Assessment and Prospects. *Journal of Public Administration Research and Theory*, 10(2), 263-288.
- O'Toole, J., Laurence J. (2009). *The Ties That Bind? Networks, Public Administration, and Political Science*. Paper presented at the American Political Science Association annual meeting, Toronto, Canada.
- O'Toole, L. J., Jr., & Montjoy, R. S. (1984). Interorganizational Policy Implementation: A Theoretical Perspective. *Public Administration Review*, 44(6), 491-503.
- Pressman, J., & Wildavsky, A. (1973). *Implementation: How Great Expectations in Washington are Dashed in Oakland*. Berkeley: University of California Press.
- Provan, K. G., & Kenis, P. (2008). Modes of Network Governance: Structure, Management, and Effectiveness. *Journal of Public Administration Research and Theory*, 18, 229-252.
- Radaelli, C. (2005). Diffusion without convergence: how political context shapes the adoption of regulatory impact assessment. *Journal of European Public Policy*, 12(5), 924-943.
- Radaelli, C. M. (2009). Measuring Policy Learning: Regulatory Impact Assessment in Europe. *Journal of European Public Policy*, 16(8), 1145 — 1164.
- Richardson, J. (2006). Policy making in the EU: Interests, ideas and garbage cans of primeval soup. In J. Richardson (Ed.), *European Union : power and policy-making* (3rd ed., pp. xvi, 406 p.). New York: Routledge.
- Richardson, J. (Ed.). (1982). *Policy styles in Western Europe*. London ; Boston: Allen & Unwin.
- Sabatier, P. A. (1986). Top-down and Bottom-up Approaches to Implementation Research: A Critical Analysis and Suggested Synthesis. *Journal of Public Policy*, 6(1), 21-48.
- Sabatier, P. A. (1998). The Advocacy Coalition Framework: Revisions and Relevance for Europe. *Journal of European Public Policy*, 5(1), 98-130.
- Sabatier, P. A. (1999). *Theories of the policy process*. Boulder, Colo.: Westview Press.
- Saetren, H. (2005). Facts and Myths about Research on Public Policy Implementation: Out-of-Fashion, Allegedly Dead, But Still Very Much Alive and Relevant. [Article]. *Policy Studies Journal*, 33(4), 559-582.
- Scase, R. (1997). The Role of Small Businesses in the Economic Transformation of Eastern Europe: Real But Relatively Unimportant? *International Small Business Journal*, 16(13), 13-21.
- Scharpf, F. W. (1993). *Games in Hierarchies and Networks: Analytical and Empirical Approaches to the Study of Governance Institutions*. Frankfurt; Boulder, Colorado: Campus Verlag; Westview Press.
- Scharpf, F. W. (1997). *Games Real Actors Play: Actor-centered Institutionalism In Policy Research*. New York: Westview Press.
- Schimmelfennig, F., & Scholtz, H. (2008). EU Democracy Promotion in the European Neighbourhood: Political Conditionality, Economic Development and Transnational Exchange. *European Union Politics*, 9(2), 187 - 215.
- Schumpeter, J. A. (1961). *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle*. Cambridge, Mass.: Harvard University Press.
- Smallbone, D., & Welter, F. (2009). *Entrepreneurship and Small Business Development in Post-Socialist Economies*. London ; New York: Routledge.
- Smallbone, D., & Welter, F. (2010). Entrepreneurship and the Role of Government in Post-Socialist Economies: Some Institutional Challenges. *Unternehmertum und die Rolle des Staates in postsozialistischen Wirtschaften: Einige institutionelle Herausforderungen.*, 35(2), 320-333.
- Smallbone, D., & Welter, F. (2012). Entrepreneurship and institutional change in transition economies: The Commonwealth of Independent States, Central and Eastern Europe and China compared. *Entrepreneurship & Regional Development*, 24(3-4), 215-233.
- Sørensen, E., & Torfing, J. (2007). The Second Generation of Governance Network Theory and Beyond. In E. Sørensen & J. Torfing (Eds.), *Theories of Democratic Network Governance*. Basingstoke, New York: Palgrave Macmillan.
- Stevenson, L., & Lundström, A. (2001). Entrepreneurship Policy for the Future *Entrepreneurship for the Future Series* (Vol. 1). Taipei, ROC: Swedish Foundation for Small Business Research.
- Thomson, R. (2011). *Resolving controversy in the European Union: Legislative decision-making before and after enlargement*. Cambridge; New York: Cambridge University Press.
- Tilly, C. (2007). *Democracy*. New York: Cambridge University Press.
- Torfing, J. (2012). Governance Networks. In D. Levi-Faur (Ed.), *The Oxford handbook of governance* (pp. xxii, 803 p.). Oxford: Oxford University Press.
- Trauner, F. (2009). From membership conditionality to policy conditionality: EU external governance in South Eastern Europe. *Journal of European Public Policy*, 16(5), 774 - 790.

- Turnpenny, J., Radaelli, C. M., Jordan, A., & Jacob, K. (2009). The Policy and Politics of Policy Appraisal: Emerging Trends and New Directions. *Journal of European Public Policy*, 16(4), 640 - 653.
- Weaver, R. K. (2014). Compliance Regimes and Barriers to Behavioral Change. *Governance: An International Journal of Policy, Administration, and Institutions*, 27(2), 243–265.
- Weible, C. M., Sabatier, P. A., Jenkins-Smith, H. C., Nohrstedt, D., Henry, A. D., & deLeon, P. (2011). A Quarter Century of the Advocacy Coalition Framework: An Introduction to the Special Issue *Policy Studies Journal*, 39(3).
- Welter, F. (1997). Small and Medium Enterprises in Central and Eastern Europe: Trends, Barriers and Solutions *RWI-Papier, Nr. 51*. Essen: Rheinisch-Westfälisches Institut für Wirtschaftsforschung.
- Welter, F., & Smallbone, D. (2011). Entrepreneurship policies in the wider Europe: A thematic perspective. In F. Welter & D. Smallbone (Eds.), *Handbook of research on entrepreneurship policies in Central and Eastern Europe*. Cheltenham, U.K: Edward Elgar Publishing Limited.
- Wildavsky, A. (1979). *Speaking Truth to Power: The Art and Craft of Policy Analysis*. Boston; Toronto: Little, Brown and Company.
- Wolczuk, K. (2009). Implementation without Coordination: The Impact of EU Conditionality on Ukraine under the European Neighbourhood Policy. *Europe-Asia Studies*, 61(2), 187.
- World Bank. (2013). Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises *Doing Business Annual Reports*. Washington DC: World Bank/International Finance Corporation.
- Zhelyazkova, A., & Torenvlied, R. (2011). The successful transposition of European provisions by member states: Application to the Framework Equality Directive. *Journal of European Public Policy*, 18(5), 690-708.
- Дубровський, В. І. (2012). Саморегулювання і передача до підприємницьких об'єднань низки державних функцій (Self-regulation and the transfer of some government functions to entrepreneur unions). In Д. В. Ляпін (Ed.), *Зелена книга малого бізнесу України (Green Book of Small Business in Ukraine)*. Київ: Інститут власності і свободи (Institute for Power and Freedom); Міжнародний фонд відродження (International Renaissance Fund).

4 Case Study - Ukraine: Institutional Inconsistencies

This thesis focused on SME policy conditions in Ukraine after approximately two decades of independence following the collapse of the Soviet Union (USSR). Although the sovereign state of Ukraine has existed for just over two decades, the modern nation identifies with previous instances of Ukrainian statehood, primarily an 18th century Cossack-based polity and the early 20th century (briefly) unified Ukraine (Magocsi, 1996). Historical links to Russia, Poland and the Hapsburg Empire have all played a role in modern Ukrainian identities as well. The recent unrest in Ukraine (2014) has demonstrated in no uncertain terms how deep such differing regional allegiances run, with the current conflict illuminating the complexities of interaction between historical ties and the modern nation-state. With a new government in Kyiv presently struggling to contain pro-Russian separatist movements in eastern Ukraine and Crimea, it seems that historical links are more than ever determining the course of current events. As many of the factors contributing to conditions at the time of research (2012) represent a continuation of historical patterns, it is helpful to understand the background behind current circumstances. This chapter thus presents a condensed version of Ukraine's recent political and economic events, providing context for the subsequent discussions around SME policy implementation. Within this background the chapter focuses especially on a key area of research interest throughout the dissertation: the organisational consistency of institutional frameworks. Or, as is often the case in Ukraine: institutional disorganisation and inconsistency.

Many scholars consider Ukraine the lynchpin whose departure from the Soviet Union caused the entire machine to deconstruct (Nahaylo, 1999). During the period known as 'glasnost' (openness), Ukraine's Verkhovna Rada (VR), then called the Supreme Soviet of the Ukrainian Socialist Soviet Republic, had already begun by degrees to exercise an independent agenda. In 1990, over a year before the end of the USSR, the VR issued a Declaration of State Sovereignty, delineating the separation of legislative, executive and judicial powers (Kohut, Nebesio, & Yurkevich, 2010, p. 200). Throughout these events, Gorbachev continued to promote a future vision of a continued, albeit reformed, USSR. But that prospect changed when Ukraine declared its full independence and departure from the Union in August 1991, with the USSR dissolving shortly thereafter (Nahaylo, 1999) (Magocsi, 1996). These events were accompanied by Ukrainians' great hopes for the future, with a nearly unanimous vote in favour of independence.¹⁰ Leonid Kravchuk was elected Ukraine's first independent president and many believed that their nation's independence from the Soviet Union would soon increase Ukraine's wealth, as profits would no longer be channelled to Moscow. The overall costs of leaving the USSR, however, were to be much greater than anticipated (Wilson, 2000). As summarised by one scholar:

The road Ukraine has embarked on has proved more painful and difficult than many had expected, or were prepared for, and more challenges and dangers lie ahead (Nahaylo, 1999).

In the midst of the high hopes held for the transition, it appears that many overlooked the fact that Ukraine would need to build nearly every market institution from scratch. This included business infrastructure support and norms for Ukraine's then-fledgling SMEs.

¹⁰ <http://wnu-ukraine.com/about-ukraine/history/ukrainian-independence/>

4.1 Ukrainian SME policy conditions

Since independence, the story of Ukrainian SMEs has often been characterised as a battle to survive. Overly bureaucratic operating conditions and a government emphasis on large firms have resulted in hostile business environments for small firms. As Wilson foretold:

Ukraine is in danger of falling into a black hole where the official tax base is not just too narrow, and not just declining, but where the state's very efforts to raise revenue are what is causing it to shrink in the first place (Wilson, 2000, p. 262).

This reference to the ignorance of the Ukrainian government regarding the importance of SMEs (and how best to stimulate their development) has now become a reoccurring tale. Upon closer examination, the details can appear quite contradictory.

On one hand, countless research publications have attested as to the unsupportive business environment for Ukrainian SMEs, with regular statistics confirming weak institutional support, government corruption, a high tax burden and frequent administrative obstacles. On the other hand, the Ukrainian Government has repeatedly issued statements about supporting the entrepreneur and small business, continuing to enact legislation aimed at the development of SMEs. For example, in 2012 the government introduced a law on 'The development and state support of small and medium enterprises in Ukraine' (Закон України "Про розвиток та державну підтримку малого і середнього підприємництва в Україні", No 4168-VI, 2012). This formalised legislative action was not unique to the Yanukovych government; Yushchenko's administration also oversaw the passing of core business support policies (Указ президента України про деякі заходи щодо вдосконалення регулювання підприємницької діяльності № 363/2007, 2007), as did Kuchma's (Закон про державну підтримку малого підприємництва No 2063-III, 2000). The tangible outcomes of these continued development programmes, however, have been barely identifiable. Overwhelmingly, such support policies have had a life on paper only, vaguely worded legislation resulting in incomplete implementation falling far short of any actual impact. Such an 'implementation gap' is not uncommon even in developed liberal democracies (Hogwood & Gunn, 1984), but in Ukraine underspecified policy wording has often created more of an implementation 'chasm' than a gap.

Beyond questions around implementation, scholars have questioned the wider effectiveness of targeted support policies for SMEs in Ukraine. In an incomplete transition environment, where the pool of potential beneficiary firms is often quite small, direct intervention programmes are often cited as having minimal overall impact (Smallbone, Welter, Isakova, & Slonimski, 2001, p. 270). Quite often, only a motivated minority of SMEs have sought out development opportunities, while the wider sector has not engaged. Examples of such support programmes in Ukraine have included retraining opportunities through State Employment Centres (Державна служба зайнятості), and financial assistance programmes such as the Ukrainian Fund for Support of Entrepreneurship and its regional branches (РФПП, 2012; Український фонд підтримки підприємництва, 2011), both of which, although marginally successful, have been vastly under-resourced. Ultimately, such micro-level support programmes have been a small part of the picture, whereas macro-level policies have been overwhelmingly responsible in determining the business environment.

Burdensome tax and regulatory policies factors represent the fundamental obstacles driving many Ukrainian SMEs into the underground economy. Kaufmann cites 'bureaucracy, corruption, and a weak legal system' as the primary reasons that businesses leave the real economy (Friedman, Johnson, Kaufmann, & Zoido-Lobaton, 2000, p.

460). Such barriers, along with frequently changing legislation, anti-competitive practices, lack of accessible credit institutions, and corrupt officials, continually emerge as the biggest barriers to Ukraine's legitimately operating SMEs (International Finance Corporation, 2003; Smallbone & Welter, 2010; Yacoub & Senchuk, 2000; Адамов, Ляшенко, Сорокін, & Толмачова, 2009; Васильців, Волошин, & Гуменюк, 2009). Table 4.1 summarises several of the more measureable indicators contributing to the challenging business environment in Ukraine.

Table 4.1 - Business environment comparative indicators

	Ukraine			Europe and Central Asia			OECD high income		
Year	2012	2013	2014	2012	2013	2014	2012	2013	2014
Hours spent doing taxes	657*	491*	390	302	260	246	186	176	175
Number of payments per year	135*	28	28	37	28	26	13	12	12
Days to start a business	24	22	21	16	14	13	12	12	11.3
Number of procedures to start a business	9	7	6	6	6	5	5	5	5
Days to get electricity	274	285*	277*	168	153	146	103	98	89
Number of procedures to get electricity	11*	11*	10*	7	7	6	5	5	5
Days registering property	117*	69	45	32	30	26.5	31	26	24.1
Number of procedures to register property	10	10	8	6	6	6	5	5	5

Data from World Bank reports Doing Business: A regional profile Europe and Central Asia (ECA)

* Highest in region

* Above ECA average

As the numbers demonstrate, Ukraine repeatedly ranks lowest amongst ECA countries on several key indicators. Statistics concerning the tax environment, especially noteworthy for this research, place Ukraine as one of the poorest performing post-Soviet nations. The average number of hours spent on taxes in Ukraine has often been double the regional average and three times that of high income OECD countries. Bureaucratic procedures required to start a business have also been exceptionally burdensome, with the number of days required to start a business entity in Ukraine nearly double that what it is in high income OECD nations. Even for the seemingly basic process of getting electricity to a new business, Ukraine has consistently ranked lowest amongst all ECA countries. In the years covered in Table 4.1, for example, it took over nine months for the average Ukrainian firm to get electricity to the premises.

Reforms made during 2012 (some of which are covered in Chapter 5) improved some aspects of the situation. The reduction in number of tax payments was particularly notable, as was the reduction in the average number of days required to register property. Additionally, the number of procedures required for starting a business and registering

property were both reduced. And the number of hours spent on taxes, although still high by comparative standards, was nearly halved in the two years from 2012 to 2014.

In its 2013 Transition Report, the EBRD confirmed many of the above statistics. It also reported on the continued need for reforms to Ukraine's 'institutional environment'. In recognition that institutional reforms are a lengthy and ongoing process, the report suggested focusing on 'non-state institutions' as advocates for business rights. 'Endemic corruption' was also noted as a continuing obstacle prohibiting firms from operating freely (European Bank of Reconstruction and Development, 2013), a difficult to navigate challenge that would be greatly diminished by increased institutional stability.

It should be noted that the World Bank and EBRD reports consider the business environment for all firms, not only SMEs. However, it is SMEs' smaller economy of scale that often makes traversing obstacles more costly than is realistic. Additionally, as detailed in Chapter 1, many of these barriers are not unique to Ukraine but commonplace across post-communist nations (International Finance Corporation, 2007; World Bank, 2013).

Another commonality that Ukraine shares with other post-communist nations is a low SME density across the wider population. According to a 2009 report commissioned by the OECD, the EU has an average of 40 SMEs for every 1000 people, with countries such as the Czech Republic and Portugal topping the list at nearly 80 SMEs/1000 people. According to the same report, Ukraine averaged only 4.8 SMEs/1000 people (Münz, 2009). Domestic Ukrainian reports have presented similar numbers. According to Ukrainian data from 2005, there were only 11 SMEs for every 1000 Ukrainians, at a time when SME density in the wider CEE averaged 34 SMEs/1000 people (Адамов et al., 2009).

It is important to bear in mind that calculating SME density can be highly dependent on methodology. As Lyapin et al. point out, SME numbers in Ukraine are traditionally collected on the basis of legally registered enterprises and do not include sole proprietors. As such individual entrepreneurs account for a large percentage of total SMEs, current international numbers on Ukrainian SME density may be misrepresentative. Lyapin et al. posit that if sole proprietors were to be factored in to the count, then SME density in Ukraine is closer to 35/1000 people (Lyapin, Lyapin, Stupytsky, & Shklyanruk, 2002). A 2013 report by State Service of Ukraine for Regulatory Policy and Entrepreneurship Development (SSURPED) presents numbers closer to this suggestion, listing average SME density as 36, ranging from 28 SMEs/1000 people in Ternopil' region (oblast) to 60 SMEs/1000 in Kyiv. Table 4.2 presents data from the SSURPED report in two columns: SME density including and excluding sole proprietors.

Table 4.2 - SME density in Ukraine

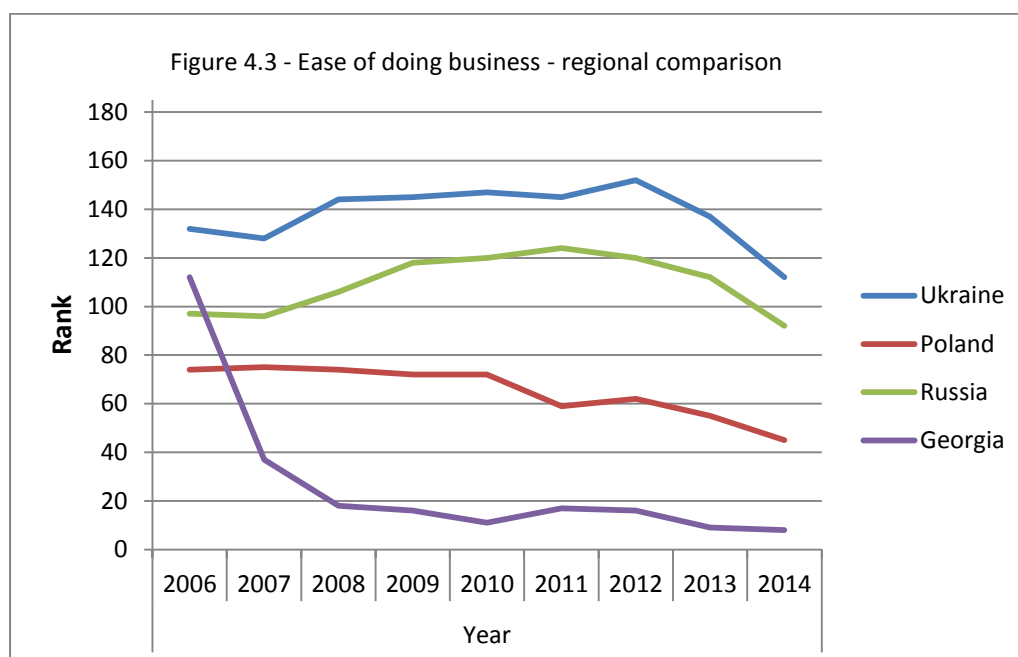
	Total active SMEs (legal enterprises and sole proprietors)	SME Density (including sole proprietors)	SME Density (excluding sole proprietors)
2009	3,973,916	82/1000	21/1000
2010	4,094,025	89/1000	21/1000
2011	4,045,317	88/1000	22/1000
2012	4,046,270	89/1000	23/1000

SME data from SSURPED; Population data from World Bank¹¹

¹¹ The original source measures SMEs per 10,000 people, this research has done the conversions to align with European norms.

As detailed in Table 4.2, the inclusion of sole proprietors significantly altered density count, taking Ukraine from a low SME density to an extremely high SME density.¹² The same report also reported SMEs as accounting for 99.4% of total enterprises and 51.3% of total transactions in 2011 (Державна служба України з питань регуляторної політики та розвитку підприємництва, 2013), numbers which are close to similar SME statistics in the EU (OECD, 2013) (European Commission, 2013b). A 2012 OECD report confirmed these numbers, citing SME employment share in Ukraine at 58.1% (OECD, 2012).

Figure 4.3 summarises Ukraine's overall business environment ranking as compared to the neighbouring nations that were most often cited in interviews in terms of country comparisons. According to the report, from which this data was reported, the lower the score the better the business environment. The counties represented were those that occurred most frequently in interview data by way of international comparison with business conditions in Ukraine.



Data from IFC

The fact that Poland has consistently outranked Ukraine is not surprising, as Poland has been an EU member state since 2004, as well as being significantly better prepared for the market transition. Georgia's improvements have also been significant, as following the Rose Revolution the government enacted deep, infrastructural reforms. Russia's performance compared to Ukraine's is perhaps most telling. SMEs in Russia also face a great many obstacles, and the fact that survey data shows them to be significantly better off than Ukrainian SMEs indicates the extremely poor quality of business infrastructural support in Ukraine.

Ukraine has also had to face the monumental task of bringing the grey economy into the real economy. Attempts have been made to reduce this 'off-the-books' entrepreneurship (C. C. Williams & Round, 2009), with the Ukrainian Government introducing a 'deshadowisation' policy in the mid-2000s, in order to encourage enterprises to emerge from the shadows (without penalising them for doing so) (C. C. Williams & Round, 2007). However, the effects of such policies have been limited, and statistics indicate that undeclared economic activity in Ukraine still

¹² EU reporting norms include sole proprietors within SME data.

accounts for as much as 50% of all transactions (Адамов et al., 2009) (Kuzio, 2011). Public education has been amongst the strategies for combatting the shadow economy, through the notion that if shadow trading carries negative connotations more firms may opt to report their activities openly. This relates back to the concept of promoting entrepreneurship as a culturally acceptable choice for employment. As expressed by Lyapin et al.:

The capacity of small business to overcome the negative impact of these factors (weak institutional infrastructure) or benefit from their positive influence depends on the society's attitude towards demonstration of entrepreneurial initiative (Lyapin et al., 2002, p. 4).

The obstacles described here have been exacerbated by the fact that the Ukrainian government has never maintained a consistent SME strategy. By comparison to Poland, where SME and entrepreneurship policies have been part of a larger strategic plan (OECD, 2010), Ukrainian strategies for SME development have lacked consistency or at times not existed at all. Agencies responsible for overseeing SME development have been liquidated and reinstated, or forced to fulfil programme requirements with insufficient resources. Additionally there has been an overdependence on international support measures, which has resulted in false expectations for the domestic NGO sector. Not only have international organisations and governments offered help in a 'start-stop' type of way, but poor communication and differing expectations regarding aid programmes have resulted in many projects whose outcomes were deemed only marginally successful at best (Bateman, 2000). Knowledge of these issues is not new and scholars have for some time been calling for a better balance between international and domestic actors (Інститут власності і свободи, 2012). They advocate moving away from dependence on direct support measures, towards a more balanced partnership between the government and the SME sector (Lyapin et al., 2002, p. 6). Other scholars support this suggestion, emphasising that if the SME sector is going to become self-reliant, then policy makers need to better understand the needs of small and medium firms by engaging more regularly with SME organisations (trade unions, business associations, government funding agencies) (З.С.Варналій, 2001).

A particularly problematic aspect of policy coordination in Ukraine has been the lack of cooperation between national level bodies and those at a regional and municipal level (Smallbone & Welter, 2010). Not only has there often been great variation in agency performance across national, regional and municipal tiers but resourcing levels often differ greatly (Гамзін, 2008). These inconsistencies contribute to the messy picture of institutional capability across Ukraine's regions. Smallbone et al. have summarised how the Ukrainian government has yet to make significant inroads in establishing the types of nationally consistent institutions that will create an SME-friendly business environment:

Ten years after the start of the transformation process, this (*the absence of cohesive institutional frameworks*) remains the number one policy priority as far as the Ukraine and Belarus are concerned. It reflects a lack of recognition and commitment on the part of governments hitherto to creating the conditions in which the potential contributions of private enterprise to economic and social change can be fulfilled' (Smallbone et al., 2001, p. 271).¹³

Hampering the situation further is the fact that policy making in Ukraine is nearly entirely centralised, with decisions made almost exclusively at the national level. Not only is there little provincial autonomy, but regional leaders have often been appointed by central government in order to maintain close control, rendering any policy implementation feedback loop all but redundant. As Dimitrova and Buzogány write, most civil society organisations in post-communist states 'have not yet acquired the organizational capacity and embeddedness to act as partners of the

¹³ Italics added by author

state in policy-making' (Dimitrova & Buzogány, 2014, p. 143). Furthermore, state administrations have not consistently sought to extend governance models to include public organisations. This style of government sits on the far end of the spectrum from the governance style discussed in Chapter 3, as it delegates very little responsibility for policy implementation beyond core government agencies. The exception to this pattern is sometimes broken by Ukraine's municipal governments, who occasionally exercise their own agendas, and tend to work more closely with the public than any other level of government (Interviews, 2012).

Beyond the centralised nature of the government, the policy environment in Ukraine has a tendency towards 'over legislation' as a policy style. Ukraine's government creates a huge amount of legislation, which results in a frenetically paced race for SMEs to keep ahead of the continual changes.¹⁴ This is amplified by the fact that many individuals in the Ukrainian government learned their trade during the Soviet era and still govern with the mentality of a centralised state. This means that most policies are created and regulated at a government level, with almost no outsourcing to private or sectorial associations (Welter & Smallbone, 2011). In Ukraine, this style is so pervasive that it might be referred to as a 'policy paradigm' (Baumgartner, 2014; Daigneault, 2013). However, in assessing Ukraine's highly vertical power structure, it is important to be careful not to attribute all policy behaviour to a cultural 'mega-effect'.

No matter how it is laid out, it is clear that Ukrainian SMEs face a particularly difficult state of affairs. More so than their counterparts in former Soviet Bloc nations, Ukrainian SMEs are caught in an incomplete transition, partially leaning towards a free market economy but with one foot still firmly in Soviet traditions (Gianella & Tompson, 2007). As highlighted throughout this chapter, the failure to develop appropriate institutional support infrastructure at a deep and lasting level has prevented the SME sector from accessing the types of growth opportunities available to firms in more stable environments. The Ukraine's continued failure to create transparent, accountable institutions, or to consistently implement regulatory reforms, have prolonged unpredictability in the business environment (Wynnyckyj, 2003). These conditions have been further hampered by a persistent 'state capture' of policy processes, which restricts NGO participation in policy making to a peripheral role, thereby reducing the transparency and effectiveness of policy making (Dimitrova & Buzogány, 2014).

Ultimately it is the bigger picture, or lack thereof, that is to blame for Ukrainian SMEs' continued difficulties. There has never been a consistent government strategy guiding SME or entrepreneurial policy making (Васильців et al., 2009). National programmes have been too ambitiously designed to be realistic, and they have rarely taken into account past research or evidence from other parts of the world (Кауриба, 2010, p. 22). Audretsch writes that "the greatest contribution to economic efficiency by small firms is dynamic and evolutionary in nature" (Audretsch, 2002, p. 37). Ukrainian citizens show every bit as much interest in starting and running SMEs as anywhere else in the world, but in order to play their traditional role in the economy they need a business environment that offers more incentives than it does obstacles. More than two decades after the transition to a free market economy began, most indicators demonstrate that progress in strengthening monitoring and regulatory institutions towards an improved business climate is still very slow. The following sections provide a background on the various factors contributing to this state of affairs.

¹⁴ This phenomenon is potentially similar to other post-Soviet governments, however a lack of literature on the topic makes this difficult to verify.

4.2 Political system

Ukraine's current governmental system consists of three branches: legislative, executive and judicial. The legislative branch consists of a unicameral parliament with 450 deputies, led by a chairman (speaker of the VR). Since independence, electoral systems for parliament have shifted several times between single-mandate constituencies, semi-proportional systems, and a mixture of both (Anders, 2009). The most recent parliamentary elections (2012) used a split method, with 50% of deputies elected through majority vote constituencies, while the rest of seats were filled by party list deputies. A 5% election threshold was required for a party to enter parliament.

The executive branch is made up of the Cabinet of Ministers, which is led by the Prime Minister. As head of state, however, the President has the authority to propose candidates for the premiership and ministerial posts. The President must also sign all legislation generated by the parliament, making the presidential veto a powerful tool in Ukrainian politics.

The judicial branch consists of a Supreme Court and a Constitutional Court, which according to the Constitution are independent of either the legislative or the executive branch. The political reality, however, has been somewhat different. Judicial bodies have been known to rule in contradiction to previously established decisions in what have seemed to be politically motivated decisions (Venice Commission, 2010). Of note are the attitudes that presidents have displayed towards institutional infrastructure, particularly the Constitution. Frequent changes and amendments, often connected with presidential consolidation of power, have supported a political culture where a legal precedent can be disregarded if seen as an obstacle to a particular goal. This behaviour has been present during nearly every presidential administration, which is demonstrative of the malleable nature of Ukrainian state institutions. Thus, the section that follows, detailing critical events and patterns under each of Ukraine's presidents to date, does not attempt to pin responsibility for current conditions on any one presidential administration, but rather to demonstrate how institutional inconsistencies have snowballed into their current state.

4.3 Presidential administrations

4.3.1 Kravchuk

The first president to govern, Leonid Kravchuk, did so over a backdrop of chaotic crony capitalism and the under-regulated privatisation of state-owned enterprises (SOEs). Unlike the lustration policies of countries such as Poland and the Czech Republic (David, 2003; K. Williams, Fowler, & Szczerbiak, 2005), which restricted the participation of former secret police and Communist Party members in the government, it has always been easy to point out members of the Soviet 'old guard' in Ukraine's leadership. During his presidency, Kravchuk's main priority was supporting the identity-building process of the new Ukrainian nation. And while he is seen to have succeeded in this sphere, Kravchuk was not rated highly for his efforts regarding Ukraine's transition to a market economy.

Several reasons influenced the low impact of Kravchuk's economic and financial policy-making. Firstly, Ukrainian policy makers with little experience governing their own nation tended to revert to their Soviet-based knowledge, enacting programmes more suited to a centrally planned model than a market economy. Secondly, the government did not yet understand standard causal connections between policy creation and effect, meaning that most policies were not based on research. Thirdly, during those early years the international governments that later came to play an advisory role were not yet present in Ukraine, meaning that best practice policy advice and training programmes were not part of the early equation. Lastly, the 'asset-grabbing' that took place in Ukraine (and across

the former Soviet space) included members of government, which meant that policies were often built around protecting ownership interests of newly acquired wealth (Wilson, 2000, p. 258).

During his time in office, Kravchuk worked towards constitutional reform, seeking to draft a new document to replace the inherited 1978 Constitution of the Ukrainian SSR (Kohut et al., 2010, p. 98). He formed a constitutional commission that tabled new drafts in both 1992 and 1993, both of which were rejected by the majority Communist Party in the VR for the increased power the proposals allotted to the executive branch. Unable to pass a full either version, the Kravchuk administration settled for amending the existing constitution, making over 200 changes in an attempt to bring the document up to date (Kohut et al., 2010, p. 276). Following his inability to influence the constitutional institution, Kravchuk settled for appointing select regional governors as a way to maintain a broader level of control.

Further to these legal impediments, Ukraine's economy under Kravchuk performed poorly. The transitional currency, the karbovanets, entered a period of hyperinflation shortly after 1991, largely due to the unfinished process of macroeconomic stabilisation. Equally problematic was the bankruptcy of entire production sectors; without the guaranteed purchasing agreements in place under the USSR's central economy, Ukrainian products found it hard to compete with higher quality equivalents from the west (V. A. Yushchenko, 2000). Finally, economic liberalisation was not taking place as quickly as planned, adding a further economic drag. These circumstances were augmented by the steady growth of the informal economy, which divested the national budget of potential wealth and limited the government's ability to remedy the situation through legal policy mechanisms (Kaufmann, 1994). As described by Anders Åslund, by this time 'neither plan nor market governed the Ukrainian economic system' (Anders, 2009, p. 48). With under-developed state institutions in both fiscal and economic matters, the final year of Kravchuk's presidency produced what could only be called an economic calamity.

4.3.2 Kuchma

In the face of economic collapse, the 1994 elections saw Leonid Kuchma, an industrialist with an economic background, elected president. The only Ukrainian president thus far to sit two terms, Kuchma's early years in office saw the continued rise of the new oligarch class dominating much of the political agenda. In this vein Anders has referred to the:

Extraordinary strength and ruthlessness of the old nomenklatura. The new political regimes aspired to deprive them of all public property, but many remained well placed to take charge of such property anyway (Anders, 1994, p. 64).

By the mid-1990s Ukraine had become a nation of interest on the international stage and western international aid was pouring in. Formal bilateral relations strengthened with states such as the European Union and individual member states, as well as the United States and Russia. Government measures had stabilised the hyperinflation and introduced the hryvnia, Ukraine's permanent currency. These developments brought further improvements to Ukraine's economy and both industrial output and GDP steadily increased (V. A. Yushchenko, 2000). The financial leadership of future president Viktor Yushchenko as prime minister during this time has been noted as a key contributing factor towards the economic advances (Kravchuk, 2002).

Kuchma's administration also pushed deregulation policies to improve the business environment and draw the burgeoning shadow activities back towards the real economy (Kravchuk, 2005, p. 51). Due to Kuchma's political dependency on oligarchs and their 'powerful veto lobby to further reform' (Wilson, 2000, p. 261), plans for more

comprehensive institutional reforms never came to fruition (Hellman, 1998). These delays brought Ukraine's transition to an impasse, with government lip service often accepted as collateral for continued international assistance (Pynzenyk, 2000). As a result, Ukrainian state institutions remained inefficient, with most continuing to operate in a Soviet-style bureaucratic model. Coupled with intensifying media censorship and increasingly preferential treatment for oligarch networks, the environment of incomplete reforms eventually resulted in the public discontent that brought about the Orange Revolution.

Another of Kuchma's legacies can be found in the multiple constitutional changes that he enacted during his two presidential terms. First and foremost, he presided over the drafting and adoption of a new Ukrainian Constitution, a process that began with the 1995 Constitutional Agreement between the president and the VR and ended with an all-night extraordinary parliamentary session to adopt the Constitution in June 1996 (Protsyk, 2005). The difficulties in persuading parliament to adopt the new constitution were based on the fact that it shifted considerably more power towards the president. The new constitution granted the president the ability to veto laws, fast-track select legislation, and issue binding decrees in multiple arenas, including in economic policy matters. This last capability is of particular note for this research, as both case study policies were created through such presidential decrees (Protsyk, 2005). The Constitution also granted the president non-legislative powers, including the ability to nominate or dismiss the prime minister, cabinet ministers and heads of executive agencies. This roundabout accountability of the cabinet of ministers to both the prime minister and the president has thus created a 'semi-presidential system' in Ukraine (Protsyk, 2005). Protsyk describes this arrangement as laying the 'legal underpinnings for intra-executive competition between the president and the prime minister' (2005, p. 25), a state of affairs for which Ukrainian politics have since become infamous.

Kuchma's next constitutional involvement occurred in 2000, when he attempted to hold a referendum on several measures: shifting parliament from a unicameral to a bicameral model, removing the privilege of immunity for active members of parliament, and reducing the number of seats in the VR from 450 to 300 (Kohut et al., 2010, p. 282). Kuchma's behaviour at the time was widely seen as extra-legal, and the referendum was never held (2010). Kuchma's further attempts to manipulate the constitution towards allowing him to run for a third presidential term were similarly unsuccessful (Yekelchuk, 2007). Such actions demonstrated Kuchma's willingness to utilise state institutions, as well as intimidation tactics towards achieving his aims (Protsyk, 2005).

Kuchma's final constitutional mark came through a reform enacted just prior to the end of his presidential term. The outcome, increased powers for the parliament at the expense of the presidency, brought Ukraine into closer alignment with the parliamentary models of the CEE and Baltic states (Kuzio, 2011). The motivation behind the reforms, however, was most likely a result of Kuchma's upcoming departure. With the public mood decidedly against him, Kuchma had been unable to ensure that a candidate of his choosing would assume the presidency. He therefore used constitutional reform to reduce the powers of what would likely be his opponent. Despite their increased congruence with EU parliamentary models, the reforms complicated government processes by requiring coalition formation prior to that of the cabinet (Protsyk, 2005). For this reason, despite their reflection of European governance models in theory, in practicality the reforms were inadequately constructed and only added to institutional instability and uncertainty (Kuzio, 2011).

4.3.3 Yushchenko

The leadership change in 2004 came at the hands of the people, who were frustrated with the continued rise of the oligarchs, as well as decreasing media freedom under Kuchma (Åslund & McFaul, 2006). The leaders of the Orange Revolution, namely Viktor Yushchenko and Yulia Tymoshenko, constructed a strong opposition that included many of President Kuchma's former allies. Amongst other groups, SMEs were recognised as core supporters of the 'Orange' opposition, Our Ukraine.¹⁵ Sometimes called the 'new Ukrainians', many small firms were motivated by a desire to end the corrupt and inefficient administrative practices preventing their businesses from achieving free market growth. One of SMEs' primary demands was improved separation of business and politics, as many firms understood that only through legally enforced regulation around 'conflict of interest' scenarios, would oligarchic self-interest cease to be the dominant policy determinant (Kuzio, 2005b, p. 128). In retrospect, it became clear that changing the government was not enough to protect the right to do business freely. Ukraine's regulatory institutions also needed to modernise towards a model that both promoted interactional transparency and remained stable amidst presidential and parliamentary changes.

When Yushchenko became President in early 2005, the public mood was again full of hope. Many believed that political transparency and full democratic transition would finally come to pass. Western scholars and leaders around the world promoted the post-Orange shift as the long-awaited, final break with Ukraine's Soviet past, framing the movement as part of a region-wide 'end of post-Soviet space' (Nikitin, 2007). Declarations were made that elections were now free and fair, along with media and civil society, that the people now had a 'voice in Ukraine's future' (K. Yushchenko, 2008, p. 160). And while all of this was technically correct at the time, such auspicious prognostications indicated a blind optimism, which overlooked the fact that many institutional reforms were still unfinished (Kuzio, 2005a, p. 42). A failure to enact deep reforms across civil and legal state infrastructure at the time represented a missed opportunity to propel Ukrainian establishments considerably closer to western democratic models.

Despite the popular appeal of the Orange coalition, Yushchenko and Tymoshenko quickly fell out of step with one another. Whether this was caused by differing political agendas or simply a battle of political wills (or both) remains open to debate. In any case, the result was a splintered coalition that by 2008 had evolved into an all-out political stalemate, with Tymoshenko controlling the parliament as Prime Minister, and Yushchenko holding any legislative movement hostage to his own presidential agenda (Kuzio, 2011). During this time, Yushchenko followed his predecessors' example in using the constitution as a political tool. He exercised his presidential right to call for early parliamentary elections as a way to break up plans by the VR's majority coalition to enact constitutional reform. He legitimised this decision through the illegality of parliament members switching sides from the opposition to the majority coalition, a process taking place through non-transparent mechanisms that presumably included bribes. Parliamentary elections were thus called for September 2007, with the end result an essential government deadlock for most of that year (Kohut et al., 2010). In his description of the process, Simon notes the patterned familiarity of this course of events in Ukraine: 'conflict – escalation – reciprocal blockades – compromise at the round table, disregarding constitutional institutions' (Simon, 2009, p. 18). The frequent use of constitutional manipulation as a governing tactic sheds much light on the nature of Ukraine's continued political stumbling blocks. Institutions that in

¹⁵ Наша Україна

pluralist democracies are insulated from frequent changes, are in Ukraine constantly open for negotiation based on current political agendas.

This evolution of events carried an extremely high price for Ukraine, as it curtailed the momentum for change brought on by the Orange revolution. Ukrainians became disillusioned with the leaders they had hoped would set the country on a path towards more consistent and transparent democracy. It became apparent to many that the challenges facing Ukraine were more deeply systematised than previously thought, and would require more than regime changes to overcome. However, a clear path on how to overcome these challenges was not forthcoming and the public mood turned on the Orange leaders, rejecting both Yushchenko and Tymoshenko during the 2010 presidential elections.

4.3.4 Yanukovych

International observers largely declared the 2010 presidential elections that brought Viktor Yanukovych to power ‘free and democratic’ (OSCE, 2010). Immediately after his election, many western scholars and analysts predicted that Yanukovych would move politically closer to Russia. And although this did occur to some degree, specifically around Black Sea Fleet negotiations and Russian gas pricing for Ukraine, the Yanukovych administration continued to engage directly with the EU as well. Some posit that Yanukovych’s engagement with the EU was always just for show, including the choice to make Brussels his first overseas visit as president (Casier, 2011). Most likely, it was a mix of both: a balancing act between retaining western aid and bilateral relations with the EU, while keeping one foot inside the familiar alliances of post-Soviet space.

Despite democratic elections, basic civil freedoms did decrease under Yanukovych, with media freedoms soon sliding back nearly towards ‘unfree’ (Freedom House, 2013). Changes to the constitution, made only seven months after Yanukovych took office, further indicated a worrying trend towards authoritarianism. Justified through the declared unconstitutionality of the 2004 amendments, the Yanukovych administration reverted back to the 1996 constitution, which weakened the parliament in favour of the president. This reversion was considered highly controversial (Kuzio, 2011). The European Commission’s body on democracy and law, the Venice Commission, regarded the changes dubiously, noting how unusual it was that:

Far-reaching constitutional amendments, including the change of the political system of the country - from a parliamentary system to a parliamentary-presidential one - are declared unconstitutional by a decision of the Constitutional Court after a period of 6 years...As Constitutional Courts are bound by the Constitution and do not stand above it, such decisions raise important questions of democratic legitimacy and the rule of law (Venice Commission, 2010, p. 6).

The questioning nature of this statement, hinting at foul play but not declaring it outright, would set the tone for Ukrainian-EU relations throughout the early period of Yanukovych’s presidency. The queries raised by the Venice Commission directly reflected the continued malleability of Ukraine’s institutions. They were also indicative of what quickly became a recognised characteristic of the Yanukovych administration: to formally agree to democratic reforms whilst at the same time doing very little to implement such actions.

Public reactions to Yanukovych’s increasing authoritarianism grew significantly in November 2013, after Yanukovych backed out at the last minute of an expected signing of the Association Agreement (AA) between Ukraine and the EU. Protests began with students, in what was dubbed the Euromaidan, but quickly swelled to include the wider public. Public demands, which had originally focused on signing the AA, broadened to incorporate years of frustration with increasingly corrupt government behaviour. By early 2014 the protests had burgeoned into a national

movement, consisting of diverse social and political groups united in an uneasy alliance towards the primary goal of unseating Yanukovych and his government.

For nearly two months, escalation of events occurred sporadically, with outbursts of violence and kidnappings. Sometimes these were answered by government retaliation, such as the passing of controversial anti-protest laws (Про внесення змін до Закону України "Про судоустрій і статус суддів" та процесуальних законів щодо додаткових заходів захисту безпеки громадян № 721-VII, 2014), sometimes by concessions, such as the dismissal of Yanukovych ally, Prime Minister Azarov (BBC, 2014). Matters came to a crescendo in late February 2014, when nearly 100 protestors and government security agents were killed over two days of clashes. The violence triggered top-level negotiations led by the foreign ministers of Germany, France and Poland. As a result, Parliament voted in favour of several key opposition demands, including a return to the 2004 Constitution (Radio Free Europe/Radio Liberty, 2014), which shifted some power away from the president towards parliament. Under pressure, President Yanukovych agreed to implement the demands, although his departure from the capitol on the following day left the government largely in the hands of the opposition. Yanukovych never formally resigned the presidency, resurfacing later from inside Russia and referring to the change in power as a 'coup' (Higgins & Kramer, 2014).

4.3.5 Poroshenko

In May 2014, the interim government held presidential elections, with Petro Poroshenko elected as President of Ukraine. Events following Russia's March annexation of Crimea, saw unrest building in Ukraine's eastern provinces, supported by a mix of domestic pro-Russian supporters and international assistance from Russian special forces (Higgins, 2014). This instability meant that the presidential election of May 2014 was not allowed to proceed in either Donetsk or Luhansk province, nor did the pro-Russian separatists leading these regions recognise Poroshenko's presidency. Out of necessity, this thesis has only covered events leading up to Poroshenko's election, as at the time of writing the situation remained incredibly dynamic, involving both a Russian military presence in eastern Ukraine as well as EU, US and NATO reactions towards these developments. Despite the fact that much of western and central Ukraine has not been directly affected by the developments in the East, the current situation may dramatically alter the course of policy development and implementation in the future. At the present time, however, it would be premature to assess ongoing developments to implementation actors, institutions or government policy frameworks as a result of Poroshenko's presidency and the continuing developments in eastern Ukraine.

4.4 Regional considerations

Due to the variation in language, culture and religion across the country, Ukraine is often discussed in regional terms, broadly considered as central, southern, eastern, and western Ukraine.¹⁶ These regions possess amongst themselves a cacophony of intersecting pasts, falling into different historical spheres of influence. Andrew Wilson explains how the boundaries of modern Ukraine into one nation-state was 'far from inevitable' (Wilson, 2000, p. 117), and Bohdan Nahaylo calls the existence of modern Ukraine 'something of a miracle' (Nahaylo, 1999, p. 550). Along these lines, Serhiy Yekelchuk makes a clear distinction between the history of the Ukrainian people and 'the history of the lands included in the present-day Ukrainian state'. He explains how the latter would be particularly challenging to write.

¹⁶ Northern Ukraine may be considered a distinct region as well, but as it lacks a major population centre its provinces tend to be grouped instead with central or eastern Ukraine.

Contemporary Ukraine can be presented as a direct descendant of medieval Kyivan Rus, the seventeenth-century Cossack polity, and the 1918-1920 Ukrainian People's Republic, but these episodes of statehood do not link up into a coherent story. The discontinuities are just too great (Yekelchuk, 2007, p. 5).

The most common dividing line drawn through Ukraine is one that separates the Russian influenced East from the central European influenced West, with the dividing line running neatly down the Dnieper river (Magocsi, 1996). Other distinctions, such as the Tatars in the South, the Romanians in the Southwest or the Belarusians in the North, have not influenced Ukrainian social politics as strongly or repeatedly as demarcation between East and West. Although both regions were part of the Ukrainian SSR under the Soviet Union, their paths towards this joint polity were considerably different. The East, or 'Left bank' (of the Dnieper), had been part of Imperial Russia since the reign of Catherine the Great, whose reign also brought Crimea, previously controlled by the Ottomans, into the folds of the Russian Empire. The West, or 'Right bank, previously part of both Poland and the Austro-Hungarian Empire, was only annexed to the Soviet Union following World War II. The area in between these two hegemonic spheres, the provinces (oblasts) around Kyiv, although formally part of Russia from the same time as the East, continued to be managed in many places by Polish landlords (Åslund, 2009). In short, it would be difficult to overemphasise the effects of these differing historical paths on modern Ukraine. From a post-Soviet point of view, eastern Ukraine was part of the USSR for twice as long as western Ukraine. The ways of thinking and organising life that came to be seen as 'Soviet', were only half as assimilated in western Ukraine as they were in the East. Staunchly differing cultural and linguistic traditions meant that many western Ukrainians always considered the Soviet Union as an invader, whereas it is not unheard of to find eastern Ukrainians who today still identify as 'Soviet'.

Many of these distinctions boil down to language differences, as most people in the West speak Ukrainian as their first language, whereas Southern and Eastern Ukrainians are more likely to speak Russian as their native tongue. Since independence all official business (universities, civil service, government agencies) has been conducted in Ukrainian, which has further altered the linguistic landscape. Examples of institutional instability have been present in this sphere as well, with new language laws allowing Russian to be used in official contexts passed in 2012 (Закон України про засади державної мовної політики № 5029-VI, 2012). Although this law was set to be repealed in 2014, acting President Turchynov vetoed the repeal, insisting that the law only be repealed with the readiness of a replacement bill, taking into consideration the concerns of all ethnic groups. It is possible that Turchynov's decision represents his attempts to improve institutional stability by limiting the influence that reactionary politics has over state infrastructure.

Although modern political rhetoric is quick to use language as a dividing factor, exceptions to these broad generalisations between Russian and Ukrainian are everywhere (Kuzio, 2005a). Many people speak different languages at home and at work, meaning that a great number of citizens are fluent in both languages. However, the fact that the two languages are largely mutually intelligible has not diminished the intensity which with language corresponds to identity. It is not unusual, for example, to witness a talk show host conducting an interview in one language, with the guest responding in the other. Mykola Ryabchuk offers a description of these complex divisions, confirming that there are no 'clear fault lines' amongst language divisions.

Different groups overlap, permeate each other; inter-group borders are blurred and easily crossed or shifted and even removed; swings between groups facilitate the diffusion of different identities (Riabchuk, 2007, p. 80).

Ultimately, most scholars agree that despite their obvious existence, any blanket statements concerning core cultural differences between East and West are a gross oversimplification of modern Ukraine.

4.5 International relations

Since independence, many of Ukraine's international relationships have been categorised by an aid-based component. This has often made for an uneven playing field, leaving Ukraine less room than its partners to manoeuvre in foreign policy negotiations.

4.5.1 Ukraine-EU relations

Ukraine's formal European relationships technically began as early as 1993, when the Delegation of the European Commission (EC) opened a diplomatic post in Kyiv. In 1994, Ukraine made clear its intention to integrate with the EU through signing the bilateral Partnership and Co-operation Agreement (PCA). That same year, Ukraine moved closer still to wider European institutions by signing the NATO Partnership for Peace (PfP) treaty (NATO, 2014), and by joining the Council of Europe in 1995 (Council of Europe, 2014). Such a multi-vectored approach to Ukraine's European relationships can make it difficult to pinpoint the character of bilateral relations, as the waters have often been clouded by the simultaneous interaction with other European institutions. This state of affairs has been augmented by fluctuating behaviour and considerable delays from both sides. For example, Ukraine signed the PCA in 1994 but it was not until 1998 that it had been ratified by all EU member states (EU Council and Commission of the European Communities, 1998), with some harbouring significant reluctance towards extending European networks to Ukraine. On both sides of the relationship, it became increasingly evident that the EU was not going to extend full membership for Ukraine anytime in the immediate future (Bojcun, 2001).

Despite these setbacks, Ukrainian relations with the EU continued along a stated path of deepening relations. In 2004, the EU created the European Neighbourhood Policy (ENP) as a policy instrument for improving relations in its immediate neighbourhood (ENP, 2014). Perhaps unsurprisingly, the ENP was somewhat poorly received by Ukrainian government and civic sector elites. From a Ukrainian perspective, the ENP was perceived as a weak mechanism, which reduced Ukraine's strategic importance to the same level as neighbouring countries, some of which had never expressed interest in joining the EU (Freyburg, Lavenex, Schimmelfennig, Skripka, & Wetsel, 2011). This sentiment was reinforced when, following Ukraine's democratically oriented Orange Revolution, the EU did not reassess its policy instruments for Ukraine, continuing instead to engage under the ENP (Kuzio, 2006). From an EU-perspective, scholars contend that although optimising relations under the ENP was indeed heavily dependent on a third country's 'governance capacity', the ENP did overall have considerable 'integrative potential' (Lavenex, 2008). Amidst (and despite) these concerns, the ENP remained the dominant body for direct EU-Ukraine engagement for the next half decade. Within its framework, expiring PCAs were to be renegotiated as either Action Plans or Association Agreements (AA). Negotiations to succeed Ukraine's PCA with an AA began in 2007 and continued for several years, with yearly progress reports on negotiations being issued in place of a concluded agreement. Place-holding in the absence of a finalised agreement was the 2005 Action Plan, a 'soft law' document adopted as a Recommendation of the PCA Co-operation Council (Cremona & Hillion, 2006).

In 2009, two significant changes intensified Ukraine-EU relations. Firstly, as a reaction to dissatisfaction with the overly broad nature of the ENP, the EU created a more specialised instrument within the wider ENP. An initiative led by Poland and Sweden, the Eastern Partnership (EaP) entered into effect in May 2009, aimed at supplementing

ENP policy frameworks through more specialised agreements with six post-Soviet republics (European Union External Action Service, 2014). In contrast to the ENP, the EaP presented a more tailored approach to a group of nations sharing significant historical similarities (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine). The other development in 2009 was the EU's foreign policy consolidation into the new European Union External Action Service (EEAS), introduced through the Treaty of Lisbon. This development upgraded the status of the EC Delegation to Ukraine, converting the Kyiv office into a full diplomatic post staffed by an EU Ambassador (EU, 2012). Although this further formalised EU-Ukraine relations, it did not particularly speed up progress towards finalising the AA.

Events peaked in 2013, after both parties had indicated approval of the most recent AA draft and willingness to finally sign it at the 3rd annual EaP Summit in Vilnius. Just prior to the Summit, Ukrainian President Viktor Yanukovich reversed his previously declared policy position and opted not to sign the agreement, citing as his rationale a lack of EU financial measures to support implementation of AA measures (Konończuk, 2013). This move was perceived as an about face, and proved the catalyst for a large scale public uprising against Yanukovich. At the time of writing, these events had taken a dramatic turn, with Yanukovich deposed, his cabinet of ministers disbanded, and opposition leaders heading a new temporary government in Kyiv. The EU made clear its support for the interim government through a decision to sign the long-negotiated AA in April 2014 (Deutsche Welle, 2014). When Poroshenko became Ukraine's fifth president, the EU was similarly clear in its support for his administration.

Mechanisms beyond the directly political have further influenced EU relations in Ukraine. The EU has operated twinning and technical assistance programmes (PHARE, TACIS and TAIEX) since its early days of engagement with Ukraine, which have brought exchanges of best practice and training to a wide range of professional sectors. A twinning project of particular note for the focal point of this thesis, Ukrainian SMEs, was the creation of the European Business Association (EBA). Established through a 1999 TACIS project with the intention of promoting European business 'practices and values' in Ukraine (European Business Association, 2012), by the time of research the EBA had fully transitioned to a domestically-run association. It was seen as one of the more influential businesses associations in Ukraine and, although firms of all sizes were welcome to join, its focus had remained with SMEs. Instances such as this provide a stark contrast to the many examples of business support projects that did not grow into lasting institutions.

Direct investment through the European Bank for Reconstruction and Development (EBRD) and European Investment Bank (EIB) comprised further elements of EU-Ukraine relations. Projects under these agencies tend to be large-scale and focused towards entire sectors of the Ukrainian economy, such as energy. Education initiatives have been another aspect of the relationship, most notably the EU's extension of Erasmus Mundus programmes to Ukrainian tertiary students.

Another facet of the relationship has been parliamentary cooperation, which began shortly after the ratification of the PCA in 1998. From 2004 this interaction has taken place bilaterally, with a committee meeting biannually since 2006 (Directorate-General for External Policies of the European Union, 2013). Forums such as this have added a substantial dimension to the relationship by increasing interactions between parliamentarians from both polities. They may also be seen as an example of 'soft policy coordination' (Noutcheva & Emerson, 2007, p. 79), where voluntary measures and horizontal alignment strategies form the backbone of any approach.

Regarding SME specifics, Ukraine has worked with the EC towards adopting both the European Charter for Small Businesses and the European Small Business Act (European Commission, 2013a). Ukraine's intention to align

SME regulatory norms with EU standards is further evidenced through the adoption of the NACE¹⁷ as the basis for Ukraine's own business classification system the 'КВЕД'¹⁸ (European Commission, 2008; Держстат України, 2011).

As evidenced by the multiple layers present, relations between the EU and Ukraine can be hard to characterise. This is in part because neither side has displayed consistent behaviour towards the other, maintaining 'different preconceptions about the long-term objectives of their engagement' (Bojcun, 2001, p. 275). Goals have shifted on both sides based on changing presidential administrations, local moods and external events, such as the global financial crisis of 2008. From a Ukrainian point of view, early relations with the EU were often more rhetorical than substantial, constituting what some have termed a 'virtual policy' (Kuzio, 2003, p. 33). From an EU viewpoint, there has never been a single Ukrainian agency tasked with leading EU integration, nor have the appropriate Ukrainian institutions been directed in such a way as to increase their implementation capacities regarding EU requirements (Boroda, Miroshnychenko, Shevliakov, & Tatarevskiy, 2010). Some scholars thus conclude that EU-Ukraine relations remain largely declarative in nature, with very little action attached to stated policy direction (Stegniy, 2011). The recent events under the Yanukovych regime confirm this pattern.

Others posit that the EU has simply not offered enough to Ukraine (Leigh, 2014). This asserts that anything short of candidate status for full membership will always fall short of motivating Ukrainian officials to take the necessary steps towards increased democracy and transparency in Ukrainian institutions (Wilson, 2010). From an EU point of view, 'enlargement fatigue', following the addition of ten new member states from 2004 to 2007, clearly reduced member state readiness to extend the network to Ukraine (Schimmelfennig, 2008). This reluctance was no doubt exacerbated by the slow pace of democratic reforms in Ukraine, hampered further by the backsliding into semi-autocracy which characterised the Yanukovych administration (Korostelina, 2013; Kuzio, 2011). After the events of the Euromaidan in early 2014,¹⁹ the potential for future cooperation again looks promising. Not only have officials from both polities formalised the long-pending AA, but the EU has formed a Support Group for Ukraine (European Commission, 2014). However, with a continued military threat from Russia in Ukraine's southern and eastern regions, the EU has not indicated that either its forces, or those of NATO, will become involved. This position seems a continuation of EU-Ukraine relations to date: a work in progress, highly dependent on evolving intentions from both sides.

4.5.2 Ukraine-Russia relations

Ukraine's relationship with its large neighbour (and former countryman) to the east can be equally difficult to pin down. This is due in part to the less transparent nature of many Russian institutions, whose paper trail is often significantly smaller (and harder to track) than that of their EU counterparts. Upon independence, Ukraine's foreign policy leaning was clearly not towards Russia, although this may have had as much to do with Russian political instability as EU stability. When Kuchma came to power as Ukraine's second president, however, relations with Russia began to normalise. And by the start of Kuchma's second term, in part because of the EU's continued

¹⁷ Nomenclature générale des activités économiques dans les Communautés européennes

¹⁷ Классификация видов экономической деятельности (Classification of types of economic activity)

¹⁷ The Ukrainian word 'maidan' (майдан) literally translates as 'square' but has come to mean 'protest' as well, following the Orange Revolution, which took place on the Kyiv Maidan.

lukewarm attitude towards Ukraine, Russia's influence on Ukraine's foreign policy arguably increased (Bojcun, 2001). In many ways, Ukrainian-Russian relations are a facet of their interdependence, an inherited Soviet legacy of shared institutions, including military structures and energy frameworks. Trade interdependence has also been part of this equation, furthered by the interests of both nations' rising oligarch elites (Yekelchuk, 2007), although it has waned in recent years (Dimitrova & Dragneva, 2009). Under the consolidated leadership of Vladimir Putin, Russian foreign policy towards Ukraine has reflected, if not expansionism, increased Russian influence. This hegemony has manifested in various ways, including Russian-language media and broadcasting within Ukraine (Velychenko, 2007), as well as Putin's expression of his 'Eurasian' vision (Putin, 2011). Most recently of course, relations have turned overtly hostile, with Moscow dubbing Ukraine's interim government 'facists', while Ukraine's leaders have labelled all separatist activity that of 'terrorists' (Robinson & Baczynska, 2014). These developments, despite their current overshadowing of events, do not represent the entirety of Ukrainian-Russian relations.

Together with Russia, Ukraine helped found the Commonwealth of Independent States (CIS), a form of regional successor to the Soviet Union. However, Ukraine's relationship with this association was always 'ambivalent', with Ukraine never fully ratifying the CIS Charter (Åslund, 2009). Ukraine's rationale for this noncommittal behaviour was the protection of Ukrainian sovereignty, as well as CIS discordance with the principles of the World Trade Organisation (WTO), which Ukraine joined in 2008. Unofficially, Ukraine's CIS strategy seemed poised 'maximum use of the flexibility' offered by the organisation's non-binding nature (Dimitrova & Dragneva, 2009, p. 857), in order to benefit from economic associations without having to adhere to foreign policy or security expectations (Åslund, 2009).

Beyond the CIS, the primary formal agreements between Russia and Ukraine (around gas prices and the Black Sea Fleet in Crimea) are not directly relevant to this thesis. They have, however, set the tone for bilateral relations, in which Ukraine often enjoys less negotiating power than Russia (Sherr, 2010). As with other international relations, the Russian-Ukrainian relationship has frequently included an aid-based dimension, often shaped through agreements on reduced gas prices. It has not been unusual for Russian aid offers to occur at strategic junctures in Ukrainian foreign policy, such as the recently proposed 15 billion dollar aid package following Ukraine's decision to pull back from signing the AA with the EU (Herszenhorn & Kramer, 2013). A subsequent shift in power meant that the loan was never activated, but the way Russia tabled it, as a disincentive to Ukraine's closer relations with the EU, displayed the imbalance in negotiating strength between the two countries.

There has also been Ukraine-Russia cooperation regarding SME development. The Moscow office of the Center for International Private Enterprise (CIPE) has supported project initiatives via the Ukrainian CIPE office, sharing resources and expertise within the same geo-political sphere. The Eurasia Foundation (EEF) is another organisation where the respective Kyiv and Moscow offices sometimes work together. However both CIPE and EEF are more examples of international cooperation than of combined efforts between domestic actors in Ukraine and Russia.

Similarly to Ukraine's relationship with the EU, policy towards Russia has shifted significantly in connection with changing Ukrainian administrations. At the time of writing, the most dramatic events since the end of the Soviet Union were unfolding, with Russia annexing the Crimean Peninsula in response to the government change in Kyiv away from the ostensibly pro-Russian Yanukovich administration. Further unrest was being encouraged, presumably by Russian military support (Amnesty International, 2014; Gordon, 2014), in Ukraine's eastern provinces of Donetsk

and Luhansk, with the civil disorder spreading as far south as Odesa and as far north as Kharkiv. Throughout these events, Putin has maintained his position that Russia had a right to protect both its interests and the interests of Russian speakers, hinting that it might mean the use of Russian military force inside Ukraine. In Kyiv, acting Prime Minister Arseniy Yatseniuk has continued to respond to Putin's stance by referring to Russian actions in southern and eastern Ukraine as an 'incursion' on Ukraine's territorial sovereignty (France 24, 2014). Both Russia and the EU had been involved in facilitating negotiations, but at the time of writing, none of the mediation efforts had succeeded in stopping the separatist momentum.

4.5.3 Other international relationships

In other foreign policy considerations, Ukraine has maintained relatively good relations with the United States, Germany, and Poland, amongst others. Just as with the EU and Russia, there has often been an aid-based component to these interactions. The primary US aid agency, USAID, has been active in Ukraine across a wide range of sectors since the early days of transition. USAID efforts relevant to this research have included the BIZPRO development programme, Local Investment and National Competitiveness (LINC) (U.S. Agency for International Development, 2012), Ukraine National Initiatives to Enhance Reforms (UNITER). BIZPRO was a high profile initiative that ran from the late 1990s into the early 2000s (U.S. Agency for International Development, 2006), which was ultimately assessed as less effective than possible, primarily due to a lack of localised integration with Ukrainian experts (Bateman, 2000). However, the more recent, locally-based LINC initiative, was especially noted throughout the research process as an effective programme for supporting small business efforts. Other US efforts have included the American Chamber of Commerce (ACC) in Kyiv, which has evolved into a key player in business lobbying efforts with the Ukrainian government. Similarly to the EBA, by the time of research the ACC was essentially a domestic organisation, maintaining strong links to US trade officials in both Washington DC and Brussels (American Chamber of Commerce in Ukraine, 2012). Another US programme, the Parliamentary Development Project II (PDP II) has worked with local legislators to promote democratic practices in the Ukrainian government (Програма сприяння Парламенту України II, 2011). Having evolved through several project stages since its creation, PDP II has become well-integrated with both Ukrainian parliamentary and NGO networks. Finally, two worldwide US programmes, the Peace Corps and Fulbright, have been active in Ukraine for many years, and their steady presence contributes to the consistency of overall US-Ukrainian relations.

Germany's involvement with Ukraine has been similarly based on both donor aid and legislative support. The Konrad-Adenauer Fund (KAS) has been active in Ukraine for many years (Stiftung, 2011), as has the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) (Deutsche Gesellschaft für Internationale Zusammenarbeit, 2011). GIZ proved especially relevant for this research, through its focus on local and regional development projects, including entrepreneurial support initiatives. In regards to larger firms, the German Embassy has supported investment activities in Ukraine, and a private citizens' German Business Club remained active as well. Some Ukrainian Chambers of Commerce maintain direct relationships with their German counterparts, such as the L'viv and Leipzig chambers (Lviv Regional State Administration, 2013). The German government also runs an advisory committee that works with the VR to improve legislative practices and policy (German Advisory Group, 2014).

Not unlike Russia, Poland also has a unique historical relationship with Ukraine. The two nations have at times been part of the same historical polities, as well as sharing many regional cultural similarities. There has always been a particularly strong connection to Poland in Ukraine's western cities, such as L'viv, where many citizens have

friends, family or work relationships in nearby Krakow and other Polish regions. Poland's experience following the collapse of the Soviet Union is especially illuminating, as Poland managed to modernise its economic and social institutions much quicker than Ukraine. In addition to the differentiation between their Soviet associations (Ukraine was a full republic whilst Poland was an associated Bloc member), Poland's quick (by comparison) transition was a result of two key policy choices. In the early days of transition, Poland chose to enact shock reforms, deconstructing and recreating many of its institutions anew. This, combined with a strict policy on lustration (Killingsworth, 2010), meant that Poland's infrastructure was not as saddled with Soviet remnants as Ukraine's has been.

The case of Poland, as well as other Central European and Baltic nations, strong national traditions maintained throughout the Soviet era have also helped the transition process. The strong national identities and independent nationhood found in most Soviet Bloc nations prior to Soviet times have facilitated comparatively more complete transitions towards market economies (Umland, 2011). These neighbouring nations of Ukraine, have in turn used their newfound status as EU member states to support Ukraine in its bid for increased European integration, with Poland as a primary illustration of such regional support. Having joined the EU in 2004, Poland has consistently supported Ukraine's European initiatives and projects. Co-hosting the Euro 2012 Football Championships, for example, demonstrated Poland's readiness to work with Ukraine towards mutual European goals. Poland, together with Sweden, also spearheaded the 2009 creation of the Eastern Partnership (Union, 2009) (The Polish Institute of International Affairs, 2009). The aid-based component has also been present in Polish-Ukrainian relations. Poland's currently active aid programmes include the Polish-Ukrainian Cooperation Foundation (PAUCI) and the Cross-border Cooperation Programme between Poland, Belarus and Ukraine (Cross-border Cooperation Programme Poland - Belarus - Ukraine, 2013). Similarly to assistance from the EU, Germany and the US, Polish relations with Ukraine have included a heavy emphasis on the creation of stable, transparent institutions as key mechanism to help Ukraine build its own, increasingly secure future.

Other countries that have cultivated particularly supportive relations with Ukraine include Austria, the United Kingdom, Slovakia, and the Baltic States. From a trade, commerce and travel perspective, Ukraine has developed particularly liberalised relations with Brazil, Cyprus and Turkey. As providing detailed information on Ukraine's cooperation with all of its international partners is outside the scope of this thesis', this section is limited to the discussions already outlined above.

4.6 Conclusion

Within the above contemporary political history, attention has been repeatedly drawn to the use of guiding legal documents for political means. The fact that constitutional changes have occurred under nearly every government since independence, including the current interim administration, demonstrates the irreverent attitude towards what (in western nations) is often considered a pillar of the democracy. This constant manipulation of state institutions belies the systemic nature of Ukraine's institutional instability. A vital element of Ukraine's continued struggle to become a more transparent, pluralist system will be the recognition that state institutions need to acquire a stability that supersedes government changeovers.

Ukraine's recent history has thus been one of alternating hope and disillusionment. In 1991, Ukraine was considered to be one of the most 'viable' post-Soviet states. Its people possessed a shared history from which to nation-build, its natural resources both for agriculture and extraction were considerable, its population was highly educated and independent statehood had been endorsed by a majority of the population (Prizel, 2002, p. 363). By

2012, however, Ukraine had become known as a semi-democracy, including a 'weak culture of democracy, poor understanding of democratic processes, and inadequate levels of civic responsibility' (Korostelina, 2013, p. 62). There was a sense that the allowance of a privileged few to continually manipulate national assets for their own self-interest was to blame for Ukraine's long, steep climb to true democratic reform and a transparent market economy. The situation had long been amplified by the lack of public education regarding the role of the civil service, democratic principles and grassroots advocacy. It is still too early to say whether the events of 2014 will create any lasting change regarding stable democratic norms and transparent institutions. However it seems fair to say that the decision during the early days of transition not to enact shock reforms, such as many of Ukraine's neighbours to the West, has created a far more 'painful and difficult' state of affairs than many expected (Nahaylo, 1999, p. 550).

References Cited

- American Chamber of Commerce in Ukraine. (2012). *American Chamber of Commerce in Ukraine*. Retrieved from <http://www.chamber.ua/> on 6 January 2012.
- Amnesty International. (2014). *Ukraine: Mounting evidence of war crimes and Russian involvement*. Retrieved from <http://www.amnesty.org/en/news/ukraine-mounting-evidence-war-crimes-and-russian-involvement-2014-09-05> on 5 November 2014.
- Anders, A. (1994). The Case for Radical Reform. *Journal of Democracy*, 5(4), 63-74.
- Anders, A. (2009). *How Ukraine became a Market Economy and Democracy*. Washington DC: Peterson Institute for International Economics.
- Åslund, A. (2009). *How Ukraine became a market economy and democracy*. Washington, DC: Peterson Institute for International Economics.
- Åslund, A., & McFaul, M. (2006). *Revolution in Orange*. Washington DC: Carnegie Endowment for International Peace.
- Audretsch, D. B. (2002). The Dynamic Role of Small Firms: Evidence from the U.S. *Small Business Economics*, 18(1-3), 13-40.
- Bateman, M. (2000). Neo-Liberalism, SME Development and the Role of Business Support Centres in the Transition Economies of Central and Eastern Europe. *Small Business Economics*, 14(4), 275-298.
- Baumgartner, F. R. (2014). Ideas, paradigms and confusions. *Journal of European Public Policy*, 21(3), 475-480.
- BBC. (2014). Ukraine's PM Azarov and government resign. *BBC News Europe*. Retrieved from <http://www.bbc.com/news/world-europe-25932352>
- Bojcun, M. (2001). Ukraine and European Integration. *Journal of Ukrainian Studies*, 26(1/2), 271-287.
- Boroda, M., Miroshnychenko, O., Shevliakov, I., & Tatarevskiy, O. (2010). The EU-Ukraine Association Agreement: From imitation to results. *Policy Brief, April*. Retrieved from www.icps.com.ua
- Casier, T. (2011). The EU's two-track approach to democracy promotion: the case of Ukraine. *Democratization*, 18(4), 956-977.
- Council of Europe. (2014). *Council of Europe webpage*. Retrieved from <http://hub.coe.int/>; <http://www.coe.int/en/web/portal/ukraine> on 28 February 2014.
- Cremona, M., & Hillion, C. (2006). L'Union fait la force? Potential and Limitations of the European Neighbourhood Policy as an Integrated EU Foreign and Security Policy. Florence: European University Institute.
- Cross-border Cooperation Programme Poland - Belarus - Ukraine. (2013). *Cross-border Cooperation Programme Poland - Belarus - Ukraine*. Retrieved from <http://www.pl-by-ua.eu/> on 9 May 2014.
- Daigneault, P.-M. (2013). Reassessing the concept of policy paradigm: aligning ontology and methodology in policy studies. *Journal of European Public Policy*, 21(3), 453-469.
- David, R. (2003). Lustration Laws in Action: The Motives and Evaluation of Lustration Policy in the Czech Republic and Poland (1989-2001). *Law & Social Inquiry*, 28(2), 387-439.
- Deutsche Gesellschaft für Internationale Zusammenarbeit. (2011). Journal - zum deutschen Beitrag zur "Ukrainischen Initiative" (Журнал - по німецькому внеску до "Української ініціативи"). In Deutsche Gesellschaft für

- Internationale Zusammenarbeit (Ed.), (Vol. 2). Київ: Deutsche Gesellschaft für Internationale Zusammenarbeit.
- Deutsche Welle. (2014, 21 March). Ukraine's interim Prime Minister Yatsenyuk signs EU association agreement, *Deutsche Welle*. Retrieved from <http://www.dw.de/ukraines-interim-prime-minister-yatsenyuk-signs-eu-association-agreement/a-17512145>
- Dimitrova, A., & Buzogány, A. (2014). Post-Accession Policy-Making in Bulgaria and Romania: Can Non-state Actors Use EU Rules to Promote Better Governance? *Journal of Common Market Studies*, 52(1), 139–156.
- Dimitrova, A., & Dragneva, R. (2009). Constraining external governance: interdependence with Russia and the CIS as limits to the EU's rule transfer in the Ukraine. *Journal of European Public Policy*, 16(6), 853–872.
- Directorate-General for External Policies of the European Union. (2013). Information Note: On the Work of the Delegation to the EU-Ukraine Parliamentary Cooperation Committee EUR/MC/CS. Brussels: European Union.
- ENP, E. N. P. (2014). *European Union External Action Service. European Union External Action Service* Retrieved from http://eeas.europa.eu/enp/index_en.htm on 1 March 2014.
- Council and Commission Decision of 26 January 1998 on the conclusion of the Partnership and Cooperation Agreement between the European Communities and their Member States, of the one part, and Ukraine, of the other part (1998).
- EU, E. U. (2012). *EU Delegation to Ukraine*. Retrieved from http://eeas.europa.eu/delegations/ukraine/index_en.htm on 5 January 2012.
- European Bank of Reconstruction and Development. (2013). Transition Report 2013: Stuck in Transition? : European Bank of Reconstruction and Development.
- European Business Association. (2012). *European Business Association*. Retrieved from <http://www.eba.com.ua/> on 2 January 2012.
- European Commission. (2008). *Statistical classification of economic activities in the European Community. Eurostat Methodologies and working papers* Retrieved from http://ec.europa.eu/environment/emas/pdf/general/nacecodes_en.pdf
http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-015/EN/KS-RA-07-015-EN.PDF on 9 March 2014.
- European Commission. (2013a). *Enterprise and Industry - EU - Ukraine*. Retrieved from http://ec.europa.eu/enterprise/policies/international/promoting-neighbourhood/ukraine/index_en.htm on 9 March 2014.
- European Commission. (2013b). A Recovery On The Horizon? Annual Report On European SMEs 2012/2013: European Commission.
- Support Group for Ukraine: European Commission Press Release 9 April 2014 (2014).
- European Union External Action Service. (2014). *European Union External Action Service - Eastern Partnership*. Retrieved from http://eeas.europa.eu/eastern/index_en.htm on 9 March 2014.
- France 24. (2014). 'We will retaliate against further Russian incursions', Ukraine PM tells FRANCE 24. Retrieved from <http://www.france24.com/en/20140320-live-france-24-exclusive-interview-with-ukraine-pm-yatseniuk/> on 5 November 2014.
- Freedom House. (2013). *Central and Eastern Europe/Eurasia*. Retrieved from <https://freedomhouse.org/regions/eurasia#.VGb4tfmUeSo> on August 20 2013.
- Freyburg, T., Lavenex, S., Schimmelfennig, F., Skripka, T., & Wetsel, A. (2011). Democracy promotion through functional cooperation? The case of the European Neighbourhood Policy. *Democratization*, 18(4), 1026–1054.
- Friedman, E., Johnson, S., Kaufmann, D., & Zoido-Lobaton, P. (2000). Dodging the grabbing hand: the determinants of unofficial activity in 69 countries. *Journal of Public Economics*, 76, 459–493.
- German Advisory Group. (2014). *German Advisory Group Ukraine*. Retrieved from <http://www.beratergruppe-ukraine.de/index.php?lang=en> on 8 May 2014.
- Gianella, C., & Tompson, W. (2007). Too Little Destruction too Little Creation: A Schumpeterian Diagnosis of Barriers to Sustained Growth in Ukraine *OECD Economics Department Working Papers* (Vol. No.574): OECD.
- Gordon, M. R. (2014). *Russia Moves Artillery Units Into Ukraine, NATO Says*. Retrieved from http://www.nytimes.com/2014/08/23/world/europe/russia-moves-artillery-units-into-ukraine-nato-says.html?_r=2 on 5 November 2014.
- Hellman, J. S. (1998). Winners Take All: The Politics of Partial Reform in Postcommunist Transitions. *World Politics*, 50(2), 203–234.

- Herszenhorn, D. M., & Kramer, A. E. (2013, 17 December). Russia Offers Cash Infusion for Ukraine, *New York Times*. Retrieved from <http://www.nytimes.com/2013/12/18/world/europe/russia-offers-ukraine-financial-lifeline.html? r=0>
- Higgins, A. (2014, 14 April). Ukraine Falter in Drive to Curb Unrest in East, *New York Times*. Retrieved from <http://www.nytimes.com/2014/04/15/world/europe/russia-east-ukraine.html? r=0>
- Higgins, A., & Kramer, A. E. (2014, 22 February). Archrival Is Freed as Ukraine Leader Flees, *New York Times*. Retrieved from <http://www.nytimes.com/2014/02/23/world/europe/ukraine.html? r=0>
- Hogwood, B. W., & Gunn, L. A. (1984). *Policy Analysis for the Real World*. Oxford [Oxfordshire] ; New York: Oxford University Press.
- International Finance Corporation. (2003). Business Environment in Ukraine. In I. F. Corporation (Ed.): IFC in co-operation with the Ministry of Foreign Affairs of Norway.
- International Finance Corporation. (2007). Business Environment in Ukraine. In I. F. Corporation (Ed.): International Finance Corporation; European Commission.
- Interviews. (2012). *Policy Implementation in a Transition Economy: Two decades of Small and Medium Enterprise Development in Ukraine*. Interviews conducted with Ukrainian SME key informants (Ruth Fischer-Smith). University of Canterbury.
- Kaufmann, D. (1994). Diminishing Returns to Administrative Controls and the Emergence of the Unofficial Economy: A Framework of Analysis and Applications to Ukraine. *Economic Policy*, 9(19), 52-69.
- Killingsworth, M. (2010). Lustration after totalitarianism: Poland's attempt to reconcile with its Communist past. *Communist and Post-Communist Studies*, 43(3), 275-284.
- Kohut, Z. E., Nebesio, B. Y., & Yurkevich, M. (2010). *The A to Z of Ukraine*. Lanham, Md.: Scarecrow Press.
- Konończuk, W. (2013). *Ukraine withdraws from signing the Association Agreement in Vilnius: The motives and implications*. Retrieved from <http://www.osw.waw.pl/en/publikacje/analyses/2013-11-27/ukraine-withdraws-signing-association-agreement-vilnius-motives-and> on 2 September 2014.
- Korostelina, K. V. (2013). Ukraine twenty years after independence: Concept models of the society. *Communist and Post-Communist Studies*, 46, 53-64.
- Kravchuk, R. (2002). *Ukrainian Political Economy: The First Ten Years*. Houndmills, Basingstoke, Hampshire, England: Palgrave Macmillan.
- Kravchuk, R. (2005). Kuchma as Economic Reformer. *Problems of post-communism*, 52(5), 48-58.
- Kuzio, T. (2003). EU and Ukraine: A turning point in 2004? *Occasional Papers* (Vol. 47). Paris: European Union Institute for Security Studies.
- Kuzio, T. (2005a). From Kuchma to Yushchenko Ukraine's 2004 Presidential Elections and the Orange Revolution. *Problems of post-communism*, 52(2), 29-44.
- Kuzio, T. (2005b). The Opposition's Road to Success. *Journal of Democracy*, 16(2), 117-130.
- Kuzio, T. (2006). Is Ukraine Part of Europe's Future? . *The Washington Quarterly*, 29(3), 89-108.
- Kuzio, T. (2011). Political Culture and Democracy: Ukraine as an Immobile State. *East European Politics and Societies*, 25(88).
- Lavenex, S. (2008). A Governance Perspective on the European Neighbourhood Policy: Integration Beyond Conditionality?'. *Journal of European Public Policy*, 15(6), 938-955.
- Leigh, S. M. (2014). *Winning Back Ukraine*. *Opinion Europe* Retrieved from <http://online.wsj.com/news/articles/SB10001424052702304626804579360580334717884> on 12 May 2014.
- Lviv Regional State Administration. (2013). Lviv RSA, Lviv Chamber of Trade and Commerce and Leipzig Chamber of Commerce and Industry will sign a Memorandum of Cooperation until 2016. Retrieved from <http://loda.gov.ua/en/lvivska-oda-lvivska-torhovo-promyslova-palata-ta-lejptsyzka-torhovo-promyslova-palata-pidpyshut-memorandum-pro-spivrobitnytstvo-do-2016-roku.html>
- Lyapin, D., Lyapin, K., Stupytsky, O., & Shklyanruk, F. (2002). Ukraine and Russia: SME Development Policy – Analytical Survey (pp. 52). Bizpro Project: Institute of Competitive Society.
- Magocsi, P. R. (1996). *A History of Ukraine* (1st ed.). Seattle: University of Washington Press.
- Münz, R. (2009). Financing SME growth – A view from the private sector *Financial Sector Reform in Transition Economies and Policies for SME Growth*. Warsaw: Erste Group; OECD Working Group on Financial Markets Development and Impact of Central Banks.
- Nahaylo, B. (1999). *The Ukrainian Resurgence*. London: Hurst & Company.
- NATO. (2014). *Partnership for Peace webpage*. Retrieved from http://www.nato.int/cps/en/natolive/topics_50349.htm; http://www.nato.int/cps/en/natolive/topics_82584.htm on 28 February 2014.

- Nikitin, A. (2007). The End of the 'Post-Soviet Space' The Changing Geopolitical Orientations of the Newly Independent States *Russian and Eurasia Briefing Paper* (Vol. REP BP 07//01): Chatham House.
- Noutcheva, G., & Emerson, M. (2007). Economic and social development. In K. Weber, M. E. Smith & M. Baun (Eds.), *Governing Europe's Neighbourhood*. Manchester; New York: Manchester University Press.
- OECD. (2010). Chronology of Major SME and Entrepreneurship Policy Events and Initiatives in Poland OECD Studies on SMEs and Entrepreneurship: Poland (pp. 6): Organisation for Economic Cooperation and Development.
- OECD. (2012). SME Policy Index - Eastern Partner Countries 2012: Progress In The Implementation of the Small Business Act for Europe: Organisation for Economic Co-Operation and Development; European Commission; European Training Foundation; European Bank for Reconstruction and Development.
- OECD. (2013). Entrepreneurship at a Glance. OECD Publishing: Organisation for Economic Cooperation and Development.
- OSCE. (2010). Ukraine Presidential Election 17 January and 7 February 2010 - OSCE/ODIHR Election Observation Mission Final Report. Warsaw: Organsiation for Security and Co-operation in Europe (OSCE) Office for Democratic Institutions and Human Rights
- Prizel, I. (2002). Ukraine's Hollow Decade. *East European Politics and Societies*, 16, 363-385.
- Protsyk, O. (2005). Constitutional Politics and Presidential Power in Kuchma's Ukraine. *Problems of post-communism*, 52(5), 23-31.
- Putin, V. (2011). Article by Prime Minister Vladimir Putin "A new integration project for Eurasia: The future in the making" ("Izvestia", 3 October 2011). *Permanent Mission of the Russian Federation to the European Union*. Retrieved from [http://www.russianmission.eu/en/news/article-prime-minister-vladimir-putin-new-integration-project-eurasia-future-making-izvestia-3-](http://www.russianmission.eu/en/news/article-prime-minister-vladimir-putin-new-integration-project-eurasia-future-making-izvestia-3)
- Pynzenyk, V. (2000). How to find a path for Ukrainian reforms *Russian & East European Finance and Trade*, 36(1), 59-77.
- Radio Free Europe/Radio Liberty. (2014). *Ukraine's Parliament, President Agree To Opposition Demands*. Radio Free Europe/Radio Liberty website Retrieved from <http://www.rferl.org/content/ukraine-presidency-agreement-eu-cautious/25272042.html> on
- Riabchuk, M. (2007). Ambivalence or Ambiguity? Why Ukraine is Trapped Between East and West. In S. Velychenko (Ed.), *Ukraine, the EU and Russia: History, Culture and International Relations*.
- Robinson, M., & Baczynska, G. (2014, 8 May). Ukraine rebels ignore Putin call to delay self-rule vote, *Reuters*. Retrieved from <http://uk.reuters.com/article/2014/05/08/uk-ukraine-crisis-idUKKBN0D00TX20140508>
- Schimmelfennig, F. (2008). EU political accession conditionality after the 2004 enlargement: consistency and effectiveness. *Journal of European Public Policy*, 15(6), 918-937.
- Sherr, J. (2010). The Mortgaging of Ukraine's Independence *Russia and Eurasia Programme* (Vol. REP BP 2010/01).
- Simon, G. (2009). After the Orange Revolution: the Rocky Road to Democracy. In J. Besters-Dilger (Ed.), *Ukraine on Its Way to Europe: Interim Results of the Orange Revolution*. Frankfurt am Main, Berlin, Bern, Bruxelles, New York, Oxford, Wien: Peter Lang International Academic Publishers.
- Smallbone, D., & Welter, F. (2010). Entrepreneurship and the Role of Government in Post-Socialist Economies: Some Institutional Challenges. *Unternehmertum und die Rolle des Staates in postsozialistischen Wirtschaften: Einige institutionelle Herausforderungen.*, 35(2), 320-333.
- Smallbone, D., Welter, F., Isakova, N., & Slonimski, A. (2001). The Contribution of Small and Medium Enterprises to Economic Development in Ukraine and Belarus: Some Policy Perspectives. *MOCT-MOST: Economic Policy in Transitional Economies*, 11(3), 253-273.
- Stegniy, O. (2011). Ukraine and the Eastern Partnership: 'Lost in Translation'? *Journal of Communist Studies and Transition Politics*, 27(1), 50-72.
- Stiftung, K.-K. A. (2011). KAS International - Informationen aus der Hauptabteilung Europäische und international Zusammenarbeit. In K. A. S.-Ф. К. Аденаяепа (Ed.), (Vol. 3). Київ: Konrad Adenauer Stiftung.
- The Polish Institute of International Affairs. (2009). Eastern Partnership: The Opening Report. In B. Wojna & M. Gniazdowski (Eds.). Warsaw: The Polish Institute of International Affairs (Polski Instytut Spraw Międzynarodowych).
- U.S. Agency for International Development. (2006). Bizpro Final Report. Washington DC: DAJ; US Agency for International Development.
- U.S. Agency for International Development. (2012). *Local Investment In National Competitiveness: Ukraine*. Retrieved from <http://usaidlandtenure.net/project/local-investment-national-competitiveness-ukraine> on October 25 2014.

- Umland, A. (2011). *Four Political Dimensions of Ukraine's Future Europeanization*. Paper presented at the Harvard International Review.
- Union, C. o. t. E. (2009). Joint Declaration of the Prague Eastern Partnership Summit. In P. O. o. t. E. Council (Ed.). Prague: Council of the European Union.
- Velychenko, S. (2007). Introduction. Ukraine: EU Member or a Second Belarus? In S. Velychenko (Ed.), *Ukraine, the EU and Russia: History, Culture and International Relations*.
- Venice Commission. (2010). Opinion on The Constitutional Situation in Ukraine (Vol. Opinion no. 599/2010). Strasbourg: The 85th Plenary Session of the Venice Commission (European Commission for Democracy through Law).
- Welter, F., & Smallbone, D. (2011). Entrepreneurship policies in the wider Europe: A thematic perspective. In F. Welter & D. Smallbone (Eds.), *Handbook of research on entrepreneurship policies in Central and Eastern Europe*. Cheltenham, U.K: Edward Elgar Publishing Limited.
- Williams, C. C., & Round, J. (2007). Entrepreneurship and the Informal Economy: A Study of Ukraine's Hidden Enterprise Culture. *Journal of Developmental Entrepreneurship*, 12(1), 119-136.
- Williams, C. C., & Round, J. (2009). Explaining participation in off-the-books entrepreneurship in Ukraine: a gendered evaluation. *International Entrepreneur Manager Journal*, 5, 497-513.
- Williams, K., Fowler, B., & Szczerbiak, A. (2005). Explaining lustration in Central Europe: a 'post-communist politics' approach. *Democratization*, 12(1), 22-43.
- Wilson, A. (2000). *The Ukrainians: Unexpected Nation*. New Haven: Yale University Press.
- Wilson, A. (2010). Dealing with Yanukovych's Ukraine *Policy Brief* (pp. 6). London: European Council on Foreign Relations.
- World Bank. (2013). Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises *Doing Business Annual Reports*. Washington DC: World Bank/International Finance Corporation.
- Wynnykyy, M. (2003). *Institutions and Entrepreneurs: Cultural Evolution in the 'De Novo' Market Sphere in Post-Soviet Ukraine*. PhD, Sidney Sussex College, University of Cambridge.
- Yacoub, M., & Senchuk, B. (2000). The State of Small Business in Ukraine. In Center for Social Expertise and Forecasting of the Institute of Sociology (Ed.), *The International Finance Corporation Survey of Ukrainian Small Enterprises*: International Finance Corporation in association with Ministry of Foreign Affairs of Norway and USAID.
- Yekelchuk, S. (2007). *Ukraine: Birth of a Modern Nation*. Oxford, New York: Oxford University Press.
- Yushchenko, K. (2008). The Orange Revolution and Beyond. *Journal of Democracy*, 19(3), 158-161.
- Yushchenko, V. A. (2000). Monetary Policy in the Transition to a Market Economy. In A. Wilson (Ed.), *Economic Reform in Ukraine: The Unfinished Agenda* (pp. 94-112).
- Адамов, Б. І., Ляшенко, В. І., Сорокін, Б. А., & Толмачова, Г. Ф. (2009). Стан малого підприємництва та регуляторного середовища в Україні. *Економічний вісник Донбасу*, 1(15), 42-49.
- Васильців, Т. Г., Волошин, В. І., & Гуменюк, А. М. (2009). *Пріоритети та засоби зміцнення економічної безпеки малого і середнього підприємництва*. Львівська комерційна академія.
- Гамзін, О. В. (2008). Регіональні форми малого підприємництва: особливості формування та розвитку. *Прометей*, 25(1).
- Держстат України. (2011). *Класифікація видів економічної діяльності (КВЕД-2010) складається з таких секцій*. Retrieved from http://kved.ukrstat.gov.ua/KVED2010/kv10_i.html on 9 March 2014.
- Державна служба зайнятості. Інформаційний довідник для роботодавця. Львів: Львівський обласний центр зайнятості - Державна служба зайнятості.
- Державна служба України з питань регуляторної політики та розвитку підприємництва. (2013). Аналітичний звіт про стан і перспективи розвитку малого та середнього підприємництва в Україні. Київ: Державна служба України з питань регуляторної політики та розвитку підприємництва.
- З.С.Варналій. (2001). *Мале підприємництво: основи теорії і практики* Retrieved from http://libfree.com/146307386-ekonomikamale_pidpriyemniststvo_osnovi_teorii_i_praktiki_varnaliy_zs.html
- Закон про державну підтримку малого підприємництва № 2063-III (2000).
- Закон України "Про розвиток та державну підтримку малого і середнього підприємництва в Україні", № 4168-VI (2012).
- Закон України про засади державної мовної політики № 5029-VI (2012).
- Інститут власності і свободи. (2012). *Зелена Книга малого бізнесу України 2012*. Київ: Інститут власності і свободи

Видавничо-полуграфічному центрі "Київський університет".

Кашуба, Я. М. (2010). Проблеми стратегічного планування розвитку підприємництва в Україні. *Сталий розвиток економіки - Всеукраїнський науково-виробничий журнал*, 21-26.

Про внесення змін до Закону України "Про судоустрій і статус суддів" та процесуальних законів щодо додаткових заходів захисту безпеки громадян № 721-VII (2014).

Програма сприяння Парламенту України ІІ. (2011). Програма розвитку законотворчої політики. In П. с. П. У. ІІ (Ed.). Київ.

РФПП, Р. ф. п. п. п. Д. о.-. (2012). ВВП - Время возрождать предпринимательство. In Р. ф. п. п. предпринимательства (Ed.), (Vol. 1). Донецк.

Указ президента України про деякі заходи щодо вдосконалення регулювання підприємницької діяльності № 363/2007 (2007).

Український фонд підтримки підприємництва. (2011). *Український фонд підтримки підприємництва*. Retrieved from <http://ufpp.gov.ua/> on April 16 2013.

5 The Simplified Single Tax for Entrepreneurs: A Policy Case Study

5.1 Policy timeline

On 3 July 1998, President Leonid Kuchma established the “Simplified system of taxation, accounting, and reporting for small business” by presidential Decree No 727/98 (Указ Президента України Про спрощену систему оподаткування, обліку та звітності суб'єктів малого підприємництва № 727/98, 1998). The decree introduced an optional new tax regime for Ukrainian SMEs, called the single tax,²⁰ which allowed small businesses to file all their taxes through one combined payment. It also introduced the distinction between SMEs operating as individual entrepreneurs (sole proprietors) and those operating as legal entities. This differentiation primarily concerned the manner in which the flat payment was distributed (for example, individual entrepreneurs paid 43% of their sum to their municipality while for legal entities this portion was split between their municipality (23%) and the national budget (20%)). Another difference between the two types of SMEs concerned value-added tax (VAT). Legal entities were subject to VAT at 6% of gross profit, and expected to file this separately to the single tax.²¹ The formal definitions between the two types of small enterprises included:

- 1) An individual conducting business without a legal entity, employing fewer than 10 employees (including family) whose activities include products and services with sales less than 500,000 UAH per year (111,111 EUR);²²
- 2) a business with any organised, legal ownership, employing less than 50 people on average within a calendar year whose activities may include products and services with sales less than 1,000,000 UAH per year (222,222 EUR)

These revenue figures aligned with conventional international SME definitions, both in terms of employee numbers and firm profit. Firms meeting one of these two definitions were eligible to use the single flat tax system, which was a monthly payment ranging from 20 – 200 UAH (4 – 40 EUR) and determined by the municipality of registration. Both types of SMEs reserved the right to use the standard system, rather than the single tax, though changing between systems could not occur more than once a year. In order to be eligible for the single tax, SMEs had to file for a Certificate of single tax,²³ specifying which business activities an SME could report through the single tax mechanism.²⁴ Any business activities beyond those listed on the certificate had to be filed through the standard tax system, a complication that belied the aforementioned burdensome nature of tax reporting in Ukraine (Smallbone & Welter, 2001). The Ministry of Finance was listed as the approving state organ for enforcing this regime (Указ Президента України Про спрощену систему оподаткування, обліку та звітності суб'єктів малого підприємництва № 727/98, 1998).

In 1999, the single tax system was refined slightly under Presidential Decree No. 746/99, changes were made to align procedural tax protocol with the Ukrainian Constitution (Указ Президента України Про спрощену систему оподаткування, обліку та звітності суб'єктів малого підприємництва No 746/99, 1999), although there is some debate as to whether this occurred (Giucci, Kirchner, Betliy, & Otten, 2010). Research data reflects this uncertainty, as respondents were split as to whether the single tax regime began in 1998 or 1999 (Interviews, 2012).

²⁰ єдиний податок

²¹ However, firms could opt to file this payment together with the single tax, which was then a VAT of 10%.

²² All conversions calculated according to 1999 currency values, <http://www.xe.com/currencytables/?from=UAH&date=1999-04-05>

²³ свідоцтва про сплату єдиного податку

²⁴ These would be determined according to the firm's registration form

The next major set of legislative changes affecting the implementation of the single tax occurred more than a decade later in 2010, when Bill 6509 was introduced. Its stated purpose was to facilitate a national discussion on revisions to the Tax Code (Проект Закону України Податковий кодекс України No 6509, 2010) (Податковий кодекс України No 2755-VI, 2010), after which it entered into force as several different reform-oriented regulations. They included the Resolution on the public discussion of the tax code (Постанова верховної ради України Про всенародне обговорення проекту Податкового кодексу No 2454-VI, 2010), the information update on the public discussion of the Tax Code (Про інформацію Кабінету Міністрів України про стан виконання Постанови Верховної Ради України "Про всенародне обговорення проекту Податкового кодексу України" та визнання такими, що втратили чинність, деяких рішень Верховної Ради України щодо проекту Податкового кодексу України No 2495-VI, 2010), the Resolution on adoption of the foundation of the Tax Code (Постанова Про прийняття за основу проекту Податкового кодексу України No 2353-VI, 2010), and the Law on the collection and accounting of the single contribution for state social insurance (Закон України Про збір та облік єдиного внеску на загальнообов'язкове державне соціальне страхування No 1675-VI, 2009). The first three pieces of legislation largely determined the timeframe during which the public discussion around single tax reforms remained open. The fourth piece of legislation brought the single social insurance contribution out from under the Simplified Single Tax, which increased the sum total of payments for many SMEs.

Following the public consultation process, the finalised reforms manifested as adjustments to Section XIV of the Tax Code, on the Simplified System of Taxation, Accounting, and Reporting) (Податковий кодекс України No 2755-VI, 2010, articles 291-300). The Verkhovna Rada (VR) passed the first wave of these reforms on 18 November 2010, along with updated rules on customs duties, import limits and VAT, all of which officially entered into force on 2 December 2010. Additional reform bills throughout 2011 and into early 2012 (Закон Про внесення змін до Податкового кодексу України та деяких інших законодавчих актів України щодо спрощеної системи оподаткування, обліку та звітності № 4014-VI, 2011; Закон України Про внесення змін до Податкового кодексу України та деяких інших законодавчих актів України щодо вдосконалення окремих норм Податкового кодексу України No 3609-VI, 2011; Закон України Про збір та облік єдиного внеску на загальнообов'язкове державне соціальне страхування 2464-VI, 2010) made further changes to the Tax Code, including but not limited to Section XIV (Закон України Про внесення змін до деяких законодавчих актів України у зв'язку з прийняттям Податкового кодексу України No 2756-VI, 2010).

Throughout the tax reform process, additional legislation not cited here interacted with those listed above. This high amount of legislative activity during the reform process created a 'frenetic' policy environment. This condition of 'over legislation', referred to in both the research interviews and the wider literature around former Soviet republics (Åslund, 1994; Interviews, 2012), could be considered a political feature of transition nations.

A primary element within the tax reforms was the separation of the mandatory social contribution payment from within the single tax (Закон України Про збір та облік єдиного внеску на загальнообов'язкове державне соціальне страхування No 1675-VI, 2009). Social contribution payment amounts were specified according to business class (Кабінет Міністрів України, 2012), with the minimum payment possible starting at 36.67% of earnings (Закон України Про збір та облік єдиного внеску на загальнообов'язкове державне соціальне страхування 2464-VI, 2010). This jump in payment amount significantly altered the net profit of many firms, often making it impossible for SMEs to continue operating in the real economy. The sudden increase in tax payments was

thus viewed as unrealistic for individual entrepreneurs, as well as small firms with limited capital. Furthermore, reforms dictated that businesses make social contribution payments on behalf of their employees, which increased the cost of staffing considerably and drove even more firms to operate (at least in part) in the shadow economy (Interviews, 2012).

The reforms also introduced new eligibility categories for the single tax system, reclassifying the previous two categories into four. These included three categories for individual entrepreneurs and a fourth for legal entities:

- 1) Individual entrepreneurs with no permanent or contracted employees, engaged in retail or service sector, with a gross profit of less than 150,000 UAH per year (13,636 EUR)²⁵;
- 2) Individual entrepreneurs with fewer than 10 employees either permanently or on contract, engaged in the retail, service or restaurant sector, with a gross profit of less than 1,000,000 UAH per year (90,909 EUR), excluding those engaged in property sales, leasing services, or valuations;
- 3) Individual entrepreneurs with fewer than 20 employees, with a gross profit of less than 3,000,000 UAH per year (272,727 EUR);
- 4) Legal entities (enterprises) with fewer than 50 employees with a net income gross profit of less than 5,000,000 UAH per year (454,545 EUR) (Закон Про внесення змін до Податкового кодексу України та деяких інших законодавчих актів України щодо спрощеної системи оподаткування, обліку та звітності № 4014-VI, 2011, article 291.4)

These four groups were later amended to include a 5th and 6th categories:

- 5) Individual entrepreneurs who have no employees nor hired persons, with a gross profit of less than 20,000,000 UAH per year (1,818,181 EUR);
- 6) Legal entities of any legal form, with a gross profit of less than 20,000,000 UAH per year (1,818,181 EUR) (Закон Про внесення змін до Податкового кодексу України та деяких інших законодавчих актів України щодо спрощеної системи оподаткування, обліку та звітності № 4014-VI, 2011, article 291.4)

The reforms also adjusted single tax rates away from the flat tax to a percentage-based system, set according to minimum wage.²⁶ The six categories were subject to the following single tax rates:

- 1) 1-10% of minimum wage;
- 2) 2-20% of minimum wage;
- 3) 3% of revenue after payment of VAT, or 5% of revenue inclusive of VAT
- 4) 3% of revenue after payment of VAT, or 5% of revenue inclusive of VAT
- 5) 7% of revenue after payment of VAT, or 10% of revenue inclusive of VAT
- 6) 7% of revenue after payment of VAT, or 10% of revenue inclusive of VAT²⁷
(Закон Про внесення змін до Податкового кодексу України та деяких інших законодавчих актів України щодо спрощеної системи оподаткування, обліку та звітності № 4014-VI, 2011, article 293.2)

As previously, the tax rates were payable monthly and set by local authorities, according to an SME's level of business activity. However, the legislative controls remained centralised with the national government. This concentration of power at a central level only, common practice in Ukraine, in part assisted with satisfying AIC criteria around both 'clear authority' and 'small number of players', as the centralised system may have reduced the overall margin for implementation error. However, the high degree of centralisation was contradictory to evolving norms in other parts of the world, where policy interaction and governance increasingly falls 'outside of the jurisdiction of the traditional regulatory agencies' (Audretsch, 2002, p. 36).

²⁵ All conversions calculated according to 2011 currency values.

²⁶ Minimum wage listings from 2000 -2014 can be found at <http://index.minfin.com.ua/index/salary/>.

²⁷ These tax rates have since been altered again by Law of Ukraine No. 5083-VI

By laying out the above timeline of the single tax, it becomes evident that legislative activity was clustered into two periods with considerably different tones. The late 1990s saw an increase of tax policy options available to SMEs, offering small firms a simplified (and lower-cost) system. More than a decade later, tax policy reforms expanded the pool of firms eligible for the single tax but significantly increased the rates at which they were taxed.

5.2 Policy agenda setting

The 1998 Decree on The Simplified System of Taxation was introduced in part to reduce the size of the SME shadow economy, which had been growing steadily since the early 1990s (Smallbone & Welter, 2001). A series of analytical reports on tax avoidance and the growth of the informal economy by Ukrainian research institutions preceded the drafting of the decree (Semikolenova, 1999), confirming the increase of SME tax avoidance behaviours as the result of a burdensome tax system (Yacoub & Senchuk, 2000, p. 35). The decree thus sought to reduce the burden of the tax system, as increased motivation for SMEs to openly report their earnings. In this sense, the ‘cause and effect’ criterion guiding the introduction of the simplified tax was remarkably accurate. Government motivation may simply have been to increase revenue streams: perhaps many SMEs paying a low tax was deemed preferable to few SMEs paying high taxes. In this sense, the simplified tax system was one of the first attempts to accommodate the business environment for the policy targets (SMEs). This may be understood as a change in the policy making ‘prism’, a radical shift in direction resulting in a new policy ‘paradigm’ (Hall, 1993). It even be that, for a time, a new may be that a new policy frame had emerged (at the very least a change in government policy direction), namely a recognition that small firms were central to social and economic development.

One particularly instrumental interview respondent referred to the government’s actions at the time as ‘sensible’, stating that SMEs ‘would in principle be prepared to pay more (tax) as they wanted only to escape from the other component – corruption’ (Interviews, 2012, K_A8 (R)). The ‘other component’ included unannounced (and irregular) demand for payments that accompanied administrative inspections, which consistently created as much of a problem as the tax rates. The creation of the simplified tax system, whereby each SME filed only one monthly payment, greatly reduced the number of contact points between business owners and (potentially) corrupt government employees, thereby reducing the amount of informal payments firms were expected to give. Many other respondents spoke along similar lines, confirming that the simplified single tax system was theoretically effective against reducing bureaucratic (official and unofficial) and administrative burdens on SMEs (Interviews, 2012). In terms of the theoretical AIC framework, it therefore seems safe to conclude that ‘cause and effect’ was taken into account during the policy’s creation.

The reforms to the single tax that began in 2010 were geared towards a different goal than the policy’s introductory era. In some ways, the single tax system had been meeting its goals. It had reduced the tax burden to some degree (Gray & Whiston, 1999) (International Finance Corporation, 2003), and since its inception the number of SMEs had steadily increased (Держстат України, 2007, 2011),²⁸ indicating an increased willingness amongst firm owners to participate in the real economy. However, the policy maxim that ‘policies often create their own problems’ (Wildavsky, 1979) was also the case for the single tax system. Although the simplified tax system was largely functional for SMEs that operated as legal enterprises, its application to SMEs as individual entrepreneurs contained many loopholes. Tax evasion and failure to correctly report employees (as a way of avoiding social contribution

²⁸ These figures included small firms but excluded medium-sized enterprises. The full tables are included in the appendix.

payments) were commonplace (Giucci et al., 2010, p. 5). Another frequent tactic for under reporting was the practice of splitting larger firms into several smaller SMEs that reported separately, in order to file a greater percentage of total earnings through the single tax system. Additionally it was not uncommon to find employees at larger organisations filing their own taxes as individual entrepreneurs (International Finance Corporation, 2007, p. 21), an occurrence this research encountered many times during interviews (Interviews, 2012). The fact that all these practices occurred with regularity indicates that ‘mutual understanding and commitment’ to implementation procedures were not clearly established or adhered to throughout the policy process. It also belied discrepancies within the system, notably, the inconsistent nature of Ukrainian tax administration practices.

An additional change that had evolved since the introductory era of the single tax concerned inflation and the fact that, while currency values had increased considerably since 1998, the single tax rate had yet to rise to accommodate this change. According to 2008 currency values, the flat tax of 20 – 200 UAH amounted to 2.8 - 28.2 EUR/month, an incredibly small amount for an individual allowed to earn up to 5869 EUR/month, or for a firm allowed to earn up to 11,737 EUR/month (Указ Президента України Про спрощену систему оподаткування, обліку та звітності суб'єктів малого підприємництва № 727/98, 1998, section 1).²⁹ This meant that by 2010, the maximum flat tax contribution of 200 UAH per month came to roughly 17 EUR, or 7% of mean income.³⁰ Reforms to the single tax were therefore driven by an agenda of bringing individual entrepreneurs back into economic reality, as they had arguably been paying less than their fair share of taxes for some time. Research institutes and academics had called for such reform even before they began (Giucci et al., 2010; Slukhai, 2009), though it is difficult to ascertain what direct impact these calls had on policy reforms to the single tax system.

The decision to bring the single social contribution out from under the simplified system was most likely motivated by financial need, as the dwindling state pension budget had been a source of concern for some time. As stated in Resolution 2454-VI, the addition of a single social contribution payment was intended for:

Increasing the competitiveness of the national economy, creating a favourable fiscal environment for attracting foreign direct foreign investment, promoting investment and innovation activities in Ukraine, guaranteeing sustainable economic development, forming responsible attitudes on the part of the taxpayers towards fulfilling their tax obligations, reducing significantly the scale of tax evasion, the democratization of tax authorities, establishing equal relations between taxpayers and tax authorities (Постанова верховної ради України Про всенародне обговорення проекту Податкового кодексу No 2454-VI, 2010).

For micro-firms and individual entrepreneurs, the changes ironically had a reverse effect. The high cost of the social contribution payment, especially when augmented by paying this cost for any employees, saw many small business move closer to the shadow economy (Interviews, 2012, O_C13 (U)). These sharp payment increases did not appear to be preceded by any publically available feasibility studies investigating the potential impact on SMEs, demonstrating a negligence for predictive policy appraisal approaches found in most market economies prior to a significant policy change (Turnpenny, Radaelli, Jordan, & Jacob, 2009). However, independent reports that preceded the tax reform had advocated just such a change, citing the simplified single tax as having ‘severe loopholes and possibilities for tax evasion’ (Giucci et al., 2010, p. 13). Therefore, although the reforms were probably introduced too quickly and with a lack of stakeholder consultation, they may well have been based on theories of ‘cause and effect’.

²⁹ For SMEs earning in the top end of the allowed income bracket, the maximum payment equated to less than 1%.

<http://www.xe.com/currencytables/?from=UAH&date=2008-07-01>

³⁰ GDP figures (<http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>) and currency conversions

(<http://www.xe.com/currencytables/?from=UAH&date=2010-01-01>) both calculated according to 2010 values.

The high number of actors and key agencies involved throughout the reform legislation indicated potential ad-hoc policy planning. The initial draft Bill 6509 named the VR Tax and Customs Committee as the responsible agency for conducting discussions in order to incorporate ‘comments and proposals from a legal rights initiative’ (Постанова Про прийняття за основу проекту Податкового кодексу України No 2353-VI, 2010). However, Regulation 2454-VI specified the Cabinet of Ministers as the responsible agency for overseeing public discussion of the regulation (Постанова верховної ради україни Про всенародне обговорення проекту Податкового кодексу No 2454-VI, 2010). This designation of more than one authority for the same (or similar) tasks produced a duplication of efforts. The responsible agencies could not then work together effectively because they had been issued differing directives across similar activities, an example of the difficulty in achieving cooperation across multiple organisations (L. J. O’Toole, Jr. & Montjoy, 1984). This unclear delegation of duties did not conform to theoretical criteria around either ‘clear authority’ or ‘mutual understanding and commitment’.

These contradictions were largely nullified, however, with the passing of Regulation 2495-VI, which rendered Regulation 2353-VI invalid and called for the Cabinet of Ministers to immediately submit the new draft Tax Code of Ukraine to the VR, inclusive of the results of the public discussion (Про інформацію Кабінету Міністрів України про стан виконання Постанови Верховної Ради України "Про всенародне обговорення проекту Податкового кодексу України" та визнання такими, що втратили чинність, деяких рішень Верховної Ради України щодо проекту Податкового кодексу України No 2495-VI, 2010, item 3) (Про інформацію Кабінету Міністрів України про стан виконання Постанови Верховної Ради України "Про всенародне обговорення проекту Податкового кодексу України" та визнання такими, що втратили чинність, деяких рішень Верховної Ради України щодо проекту Податкового кодексу України No 2495-VI, 2010). Such circuitous bill drafting has proven to be a common feature of Ukraine’s bureaucratic, ‘paper-pushing’ policy style. The implementation literature has described the effect of such inefficiencies on the policy process as likely to retard the policy’s implementation, or keep it from occurring at all (Hogwood & Gunn, 1984). The literature on transition nations indicates that this phenomenon may be an inherited Soviet legacy, common throughout the post-communist landscape (Noutcheva & Bechev, 2008).

In summary, the draft tax code bill included wording around incorporating public input on the proposed changes that were not fully implemented. Any clauses regarding public discussions were retracted by Regulation 2495-VI, only two months after they first entered into force. Not only may two months be considered a fairly short time in which to organise, conduct, and summarise public discussions, but details demonstrating the outcomes of such discussions were lacking. This indicates that public interaction around the bill probably occurred to a minimal standard, leaving many SME stakeholders out of the process entirely. Interview respondents confirmed this course of events, explaining how there was:

Not a lot of enthusiasm from the presidential administration and from the group which was drafting the tax code to have the small businesses involved (Interviews, 2012, K_B9 (E)).

It was the popular belief amongst many key informants that the Yanukovych administration rushed the draft tax code through the VR, in order to avoid public outcry against what it knew would be unpopular changes. This hasty behaviour on the part of the government indicated a closed policy process (Dimitrova & Buzogány, 2014), or ‘state capture’ over policy creation (Hellman, Jones, & Kaufmann, 2003), whereby government actors were not bound to incorporate stakeholder input.

A direct reaction to this lack of consultation manifested in November 2010 as the Tax Maidan (protest), an event which demonstrated the public sentiment that SMEs had not been properly consulted. The following section on key actors covers these events in greater detail, giving an overview of Ukraine's SME disparate 'community' and highlighting how defining this group of actors is not a straightforward task.

5.3 Key actors

5.3.1 Individual actors

The creation and implementation of the single tax policy involved a complex network of public and private actors, both domestic and international. As a macro-level policy such as a tax programme by default includes a great many stakeholders, therefore this section documents only those individuals and groups that might be considered primary actors in the Simplified Single Tax. As personages and associations are detailed, it becomes clear that the policy process in this case was an example of multi-organisational implementation (L. J. O'Toole, Jr. & Montjoy, 1984). Such undertakings are by their nature incredibly complex, as the involvement of multiple actors creates more formal checkpoints through which any policy action must pass (Stearns & Zywicki, 2009), which the theoretical AIC framework addresses through the 'small number of players' criterion.

The initial single tax policy (Presidential Decree No 747/98) emerged through a joint effort between President Kuchma and member of parliament Oleksandra Kuzhel'. It was difficult to overstate Kuzhel's role in the creation of the single tax; Decree No 727/98 was even occasionally cited as 'Kuzhel's Law' (Interviews, D_C11 (R)). Kuzhel's interest in SMEs began with her PhD Thesis on "The regional development of small and medium businesses" (Interviews, K_A8 (R)). She formally entered politics in 1994 as a People's Deputy from Zaporizhia Oblast'. During her years in Parliament, Kuzhel' sat as Deputy Chair of the Parliamentary Commission on Economic Policy and Management³¹, and later as Head of the National Audit Committee of Ukraine.³² In 1998, she was appointed head of SCURPE, remaining there until 2003.³³ It was during this time that Kuzhel' worked intensively with President Kuchma to create the Simplified Single Tax for Entrepreneurs.

Referred to consistently throughout the interviews by such adjectives as 'magnificent' (Interviews, D_A1 (R)) and 'great' (Interviews, O_B4 (R)), Kuzhel's role as an advocate for SMEs' rights was well established. Kuzhel' herself was mentioned directly in 29% of interviews, significantly more than any other individual actor. Both this frequent mention, as well as the laudatory nature of comments about Kuzhel', demonstrated that her actor status may well have contained elements resembling a minor 'cult of personality'. As interview data presented, in the eyes of many stakeholders, she could do no wrong, which elevated her role from one of policy maker to something more akin to 'hero'.

Interestingly, Kuzhel' helped create the single tax system during a time when she was also the head of SCURPE, providing an key actor overlap between this thesis' two policy case studies. Beyond Kuzhel's individual role in each policy, this intersection of case studies is testament to the interwoven nature of policy formation. Although Kuzhel's primary contribution to the simplified tax system was during its formative stages, she remained an active player throughout the evolution of SME issues (tax and others), both in directly political as well as non-

³¹ [Комісії з питань економічної політики та управління народним господарством](#)

³² Національний аудиторський комітет України

³³ She served as the Committee's head for a second time from 2009-2010.

governmental arenas.³⁴ But it was during the introductory era when her participation as a key actor most clearly represented a satisfaction of the ‘key support’ criterion.

The key actors leading the Tax Code reforms beginning from 2010 are slightly harder to pin down. Mikhail Azarov (Prime Minister during time of research) has been a major political actor in Ukrainian politics and is credited with creating the modern State Tax Administration (STA). It may therefore be assumed that his influence played a significant role in bringing about the single tax reforms, especially amidst significant stakeholder dissatisfaction. Furthermore, the draft Bill 6509 listed Azarov (then Prime Minister) as the author of the legislative initiative (Проект Закону України Податковий кодекс України No 6509, 2010), indicating that the push towards single tax reform was his doing. Azarov was directly mentioned in 11% of interviews, with the post of ‘Prime Minister’ mentioned in 28% of interviews.³⁵

Another actor whose name arose in connection with broader economic and finance policy was Iryna Akimova. Frequently appearing in public as a spokesperson, Akimova sat on President Yanukovich’s inner circle of advisors as First Deputy Head of Presidential Administration of Ukraine (Адміністрація Президента України, 2014). Her name arose several times during interviews in connection with her influence on monetary and economic policy, cited only by respondents who were particularly knowledgeable around government circles of power. Previous to entering politics, Akimova directed the Institute for Economic Research during its formative years, a think tank closely associated with (and funded by) the German Advisory Group (Institute of Economic Research, 2010). Akimova’s role as the ‘brains behind Yanukovich’ (Interviews, K_B20 (E)) points to the fact that ‘cause and effect’ were potentially vetted ahead of the policy’s introduction.

Anatoliy Kinakh was another actor whose role in the agenda-setting stage may have influenced the single tax reforms. In addition to his role as a member of parliament, a post held since the first convocation of the VR (including a stint as Prime Minister in 2001-2002), Kinakh was president of the Ukrainian League of Industrials and Entrepreneurs (ULIE) (2014). The ULIE maintained very close ties with the government, and was for a time also a political party with its own members of parliament. During the time of research Kinakh thus represented the ULIE both as president and as an elected member of parliament, a seeming violation of principles around conflict of interest that may have improved his bargaining position through reception of multiple information streams (Bardach, 1977). Within the multiple documents governing tax reform, at least one piece of legislation bears Kinakh’s name as project initiator (Проект Закону України Про внесення змін до Податкового кодексу України (щодо удосконалення деяких норм) No 2513, 2013). This Bill was celebrated on the ULIE website as a remedy to the ‘many contradictions’ regarding VAT payments, aimed at ‘reducing aggravation of relations between business and tax’ (Український союз промисловців і підприємців, 2014) (Український союз промисловців і підприємців, 2013). This overlap between ULIE and government interests indicates that the tax reforms may have been, at least in part, an example of politically motivated policy agenda-setting (Kingdon, 1995). Kinakh was mentioned in 8% of interviews (Interviews, 2012), mostly amongst respondents with strong ULIE support. During the period of single tax reforms, Kinakh’s influencing role in tax policy could thus be considered a partial satisfaction of the ‘key support’ criterion.

³⁴ Following a period with no official government positions, in October 2012, Kuzhel’ again entered Parliament as a list MP for the Batkivshchina Coalition. In December 2012, she was appointed head of the Verkhovna Rada Committee on Enterprise, Regulatory and Anti-monopoly Policy (Верховна Рада, 2013).

³⁵ Although mention of Prime Minister included Azarov, it was not limited to his time in the role.

To what degree President Yanukovych was a critical player behind his administration's tax reforms was difficult to say. This question is unsurprising, as it is generally difficult to definitively ascertain, to what degree the head of any state is involved in directly pushing which agendas.

This analysis now moves beyond core governmental actors, to those operating (at least in part) within the non-governmental sphere. These actors have all played notable roles in shaping the development and/or reform of the Simplified Single Tax, with most having held varying political and non-governmental positions throughout the timespan of this case study.

Oksana Prodan occurred frequently in the dataset with mention in 17% of interviews, second only to Kuzhel'. Prodan was usually mentioned in regards to her role as leader of the All-Ukrainian Association of Small and Medium Enterprises - Fortyetsa (Interviews, 2012), an organisation she founded following the Tax Maidan protests of 2010 (Фортетця, 2012). Fortyetsa has grown quickly through its coalition-style model, incorporating SME associations and NGOs from around the country. At the time of research, Fortyetsa had member associations from over 17 regions (oblasts) in Ukraine. In addition to her role as head of Fortyetsa, Prodan had also served as head of the Council of Entrepreneurs under the Cabinet of Ministers of Ukraine (CECMU), the Chairman of the Committee for the Protection of Entrepreneurs,³⁶ and had been a leading figure in the Tax Maidan. These roles over the years had made Prodan an influential figure in the SME policy scene.

Prodan's role in SME advocacy had been somewhat controversial, with a number of respondents expressing concerns that she had leveraged a personal political career off her work in the SME sector (Interviews, 2012). Although this behaviour may have been common within Ukrainian policy styles, it nonetheless indicated potential agenda setting along 'party' lines. However, Prodan's active engagement directly with the SME sector did appear to be motivated by more than just personal gain. Her frequent interaction with SMEs included educational presentations around topics such as tax inspections, SME advocacy, and navigation of the legislative database and she regularly made herself available for SME owners and representatives wanting to discuss their individual problems. At the time of writing Prodan had entered the VR as a member of parliament for Vitaliy Klitschko's 'Udar' party (Продан, 2012).

Yuriy Yekhanurov was another governmental actor whose activities crossed significantly into non-governmental spheres. Yekhanurov had made his name through economics by serving in various ministerial positions within the Ukrainian government, including Prime Minister, Minister of the Economy, and Minister of Defence. His relationship as an advocate for SMEs formalised when he headed SCURPE in 1997, a time when he was also president of the Expert Coordination Centre for Business Associations of Ukraine, a project with international funding (US) than ran from 1999 – 2003 (Український незалежний центр політичних досліджень, 2003). Yekhanurov's most critical role, arguably, has been as the long-standing president of the Union of Entrepreneurs of Small, Medium-Sized and Privatized Enterprises of Ukraine (SPMSPPU), an organisation that he helped found in early days of transition (1990) (2007).

Despite the fact that he had been involved in Ukrainian politics from the early days of independence and had held some very senior positions, Yekhanurov was cited in interviews less frequently than most other key actors detailed here. This demonstrated that his contributions to the single tax may well have been known only amongst informed SMEs and/or political insiders. Interestingly, the day-to-day operator of SPMSPPU, vice-president, Vyacheslav Bykovets (Спілка підприємців малих, 2014), was mentioned in interviews more frequently than

³⁶ This Committee was no longer in existence nor did any web sources remain to cite its years of operation.

Yekhanurov. Although his public profile was lower than, for example, Prodan, Byikovets' active engagement with SPMSPPU members gave the organisation a reliable support base for any questions related to tax reforms. Notably, Byikovets worked closely with both the Kyiv Chamber of Commerce and the ULIE, networking patterns that satisfied the criterion of 'communication and coordination' between implementation actors. The frequent interaction of SPMSPPU, ULIE and the Chamber represented a well-communicated approach to SME tax obstacles and allowed members of any one organisation to network more easily amongst the other two. All three organisations were also notable for their semi-governmental nature, being led or supported by governmental actors who were also involved in the NGO sphere.

Natalia Korolevs'ka was yet another actor whose involvement with the SME sector had manifested in both a governmental and a semi-governmental capacity. During her time as a deputy of the Luhans'k regional parliament, Korolevs'ka belonged to the Party of Regions political party, as well as being a member of the CECMU. In 2006, Korolevs'ka entered national politics as a member of a different political party, the 'All-Ukrainian Fatherland Union' (part of Yulia Tymoshenko Bloc). In the following years she became more involved with Ukrainian enterprise concerns, including her role as head of the VR Committee on Regulatory Policy and Entrepreneurship.³⁷ During the time of research, this Committee convened several public round tables to discuss ongoing questions and procedures around single tax reforms, during which SME stakeholders were able to put their questions to Korolevs'ka. Despite the fact that many interview respondents felt that the roundtables were conducted more for show than to genuinely inform the implementation process (Interviews, 2012), this research observed a genuine dialogue at such events.

Korolevs'ka also took on a leadership role during the Tax Maidan of 2010, although interview respondents generally viewed her position as self-assigned and of inflated importance. Some felt that Korolevs'ka had leveraged Tax Maidan publicity to her own advantage as a member of the opposition, quickly leaving SMEs to fend for themselves when she felt her own political needs via the protests (Interviews, 2012). Such assessments created an unclear sense of both the 'key support' and 'clear authority' criteria in regards to Korolevs'ka's degree of influence and authority over tax policy.

Despite the failure of her political party to meet the minimum threshold for representation in the October 2012 parliamentary elections,³⁸ Korolevs'ka remained in the VR through direct election and was appointed Minister of Social Policy by President Yanukovych (Королевська, 2014). At the time of writing, she had been dismissed from this position following the political upheaval of early 2014.

One more set of key actors warranted mentioned, although classifying them was particularly difficult. Ksenia Lyapina and Dmitro Lyapin, a married couple, have both been deeply involved in SME advocacy since the early days of transition. Between them they have covered a wide range of positions, in both governmental and NGO contexts. Lyapina has been a member of parliament (Our Ukraine)³⁹ for many years, during which time she has been a member of CECMU, SCURPE, and headed the VR Committee of Regulatory Policy and Entrepreneurship (Ляпіна, 2014). During the time of this research she regularly participated in SME events around the country, including the annual meeting of the All-Ukrainian SME Coalition and feedback forums around country regarding the Green Book for Small Business (Всеукраїнська коаліція малого та середнього бізнесу, 2012а; Д.В. Ляпін, Дубровський, Піщуліна, & Продан, 2012).

³⁷ Although this committee encompassed SME issues its wider mandate included large enterprises as well.

³⁸ Korolevs'ka's party was Ukraine – Forward! (Україна – Вперед!).

³⁹ Наша Україна

Her husband, Dmitro Lyapin, has also been involved at a government level as a researcher for the National Institute of Strategic Studies (NISS). However, he had been best known for his work in the NGO sector in relation to SME advocacy. Through the Property and Freedom Institute (PFI), Lypin led a project to create Ukraine's first practical manual for SMEs, the Green Book for Small Business (Дмитро Вадимович Ляпін, Продан, Дубровський, & Піщуліна, 2012). Although this project encompassed many key SME themes, it focused significant attention to matters of the single tax and its reform process. During the publication's draft process, Lyapin travelled the country conducting workshops and seeking input from SME stakeholders across Ukraine. Notably, such forums incorporated many of the key actors detailed here, including Prodan, Byikovets, Lyapina, Kuzhel', and representatives from Chambers of Commerce from around Ukraine. Lyapin's role as key networker was thus unique in that he was able to bring multiple key actors together within a singular project, an assessment that would seem to satisfy, at the very least, the 'communication and coordination' criterion. His extraordinary networking abilities arguably made Lyapin the foremost 'hub' of all key actors participating in the process (Sabatier, 1999). His level of detailed understanding around the needs of SMEs and the methodologically rigorous nature of the Green Book, together with his cooperation across both domestic and international NGO sectors (including sustainable mixed-model funding methods), rendered Lyapin one of the most influential individual actors.

All the actors detailed in this section are those whose influence on the single tax policy process was strong enough that they appeared repeatedly throughout the research interviews. Although it was not possible to isolate mention of an individual key actor regarding the single tax from their overall frequency of mention, Figure 5.1 nonetheless illustrates the trends around each actor's salience.

Table 5.1 – Key individual actors (Single Tax)

Actor	Primary Status	Frequency of mention
Kuzhel'	Govt	29%
Kuchma	Govt	21%
Yanukovych	Govt	18%
Prodan	NGO	17%
Korolevs'ka	Govt	15%
Azarov	Govt	11%
Kinakh	Govt	8%
Lyapina	Govt	8%
Byikovets	NGO	6%
Yekhanurov	NGO	4%
Lyapin	NGO	3%

Considering the criterion of 'small number of players', the question then arises of whether this group of actors would be considered 'small'. Within the implementation measurement literature, the original criteria lists are vague around the specificity of such quantitative definitions (Allison & Halperin, 1972), but it seems fair to say that the number of actors detailed here might not be considered a small group. In the early days, during the creation of the single tax, when Kuzhel', Kuchma and Yekhanurov were the only primary actors to speak of, the policy may well have satisfied the 'small number of players' criterion. However, in the years surrounding the reform, the growing number of people with key roles in the process seems to have muddled the waters. This resulted in too many leaders, each trying to guide events according to their own preferred outcomes.

We have a lot of ‘queens’. We have Prodan, we have Kuzhel’, there is Lyapina...and we also had Korolevs’ka. Four queens, each pulling the blanket towards herself (Interviews, D_B11 (R)).

This state of affairs (the above quote referred to the Tax Maidan), which had existed for quite some time, made it difficult to identify which SME leaders had a mandate to speak on behalf of stakeholders. It may be assumed however, that the personalities competing to lead the charge on behalf of SMEs represented a violation of the ‘small number of players’ criterion. Furthermore, the high degree of interconnectedness between the actors detailed in this section seemed to further violate the full definition of the criterion: ‘small number of players with minimal dependency relationships between them’. Therefore, although the single tax met the ‘small number of players’ criterion during its introductory era, it did not continue to do so throughout the reform process.

Beyond individuals, a number of organisational actors were also involved in the single tax policy process. Just as with individual actors, they came from both the governmental and NGO sectors, but in addition to domestic actors included international organisations as well.

5.3.2 Domestic organisational actors

The aforementioned Fortyetsa was the most widely represented organisation within the dataset of interview respondents. In three out of four regions, Fortyetsa representatives were amongst the dataset, and the group received mentioned even in the one region (West) where no members were interviewed. Fortyetsa’s structure as a coalition of SME associations, rather than a single organisation, may have made membership particularly appealing for small organisations, as they were able to retain their identity while simultaneously benefitting from links with the larger association. Fortyetsa performed several core services for their members around the single tax: information sharing forums, educational opportunities, and advocacy training. The group also operated an information sharing portal through its website, which included detailed pages on the specifics of the reform, as well as rolling legislative updates (Фортетця, 2012). There was also an interactive section, where members could post questions around tax code specifics, which would then be answered as public posts on the web forum. These types of information were also pushed to Fortyetsa members through a regular email lists.

Fortyetsa also held semi-regular lectures, generally open to all and free of charge. The lectures were designed to help SMEs better understand the nuances of the tax legislation, including how to most efficiently navigate the complexities of the system. These types of forums often included a focus on advocacy approaches, educating SMEs around their legal rights during tax inspections as well as encouraging firms to be more proactive in staying across legislative changes. Specifically, Fortyetsa taught firm owners how to react to unannounced tax inspections, during which government officials were likely to demand informal ‘payments’ in exchange for not filing formal paperwork against any number of arbitrary offences (Всеукраїнське об’єднання малого та середнього бізнесу - Фортеця, 2011). As such unannounced inspections were illegal, Fortyetsa instructed firm owners to exercise this knowledge to their advantage, insisting that the government official in question provide his/her identification paperwork and proof that notification of the inspection had been sent prior to its occurrence. By showing SMEs the degree to which the system relied on tactics of intimidation, these elementary advocacy tactics were designed to empower firm owners to take a stand based on their defined legal rights, arguably an example of bottom-up policy evolution (Sabatier, 1986).

Another SME association with a wide member base was the aforementioned SPMSPPU. Unlike Fortyetsa’s coalition model, the SPMSPPU operated as a single organisation. This approach may explain its more modest presence within the dataset (cited in only 3% of interviews), as well as its Kyiv-centric operations. SPMSPPU used its

email list as the primary communication mode with its members and, although it also operated a website and produced monthly bulletins, neither additional source was mentioned in interviews.⁴⁰ Therefore, in comparison with its primary ‘competitor’ Fortyetsa, SPMSPPU’s visual presence was considerably less dynamic. The differentiation in branding strategies between the two organisations was epitomised through their respective names. During interviews, respondents frequently struggled to remember the unwieldy acronym for SPMSPPU, whereas ‘Fortyetsa’ stuck in respondents’ minds.

SPMSPPU did offer its members many opportunities, even if not all were strictly applicable to the needs of the average firm (such as invitations to international trade delegation events). Along similar lines, the organisation’s advocacy strategies were less grassroots than Fortyetsa’s, usually limited to direct exchanges between SPMSPPU and government representatives. Advocacy platforms were not usually extended to include those beyond the senior SPMSPPU leadership, with member firm interaction restricted to educational and networking opportunities (Interviews, K_C2 (R)). Although SPMSPPU’s materials were often quite in depth (Спілка підприємців малих середніх і приватизованих підприємств України, 2010, 2011), they did not appear to have wide circulation outside the organisation’s member base. Many publications were only available in printed hard copy, which further reduced their reach. A close relationship with the Department of Entrepreneurial Studies (Faculty of Economics) at Kyiv National University Taras Shevchenko positioned SPMSPPU as the most academic of the surveyed organisations. An excellent working relationship with several Chambers of Commerce in larger Ukrainian cities was another of SPMSPPU’s strong points.

Another organisation with a broad footprint across Ukraine was the European Business Association (EBA). Originally created through an EU TACIS project, at the time of research the EBA had transitioned to a domestic NGO model and was represented in every region of fieldwork research (European Business Association, 2012). EBA’s activities around the single tax policy included information-sharing, advocacy, and networking. Educational events were also part of the association’s programme, largely in the format of public lectures by key players in the tax policy system. EBA organised its operations by business sector, grouping its members into sections to maximise the relevance of information, with email lists and the website functioning as the primary information channels. Similarly to SPMSPPU, the EBA’s advocacy tactics were largely internal within the organisation, negotiating with government actors on behalf of their members rather than encouraging firms to engage directly. A further, ‘silent’ form of advocacy amongst members was observable through the EBA stickers, visible on store front and kiosks across the country. As several respondents cited, the sticker worked as a deterrent for corrupt, ‘payment-seeking’ officials, as EBA was known as an organisation that might call attention to such illegal practices. This style of branding also proved effective for publicity, as EBA was cited in 11% of interviews.

The American Chamber of Commerce (ACC) had similar origins as the EBA in that it was established internationally and later transitioned into a domestic NGO. The ACC was a strong lobbying force for its members, often cooperating with the EBA to put on public events and lectures. The ACC also published extensively, including English language materials on the expected impact of tax policy reforms. In accordance with international tax data, the ACC did not consider tax rates to be the major obstacle in Ukraine, but rather ‘poor tax administration’, ‘misbalance of tax rights’ and ‘ambiguous tax rules’ (American Chamber of Commerce in Ukraine, 2011). Compared to other organisations detailed in this chapter, the ACC maintained formal cooperation with a wide range of other

⁴⁰ These additional resources were only mentioned in the direct interview with SPMSPPU.

organisations, listing these publically on its website (2012). Thus ACC's contribution to the 'communication and coordination' criterion could be understood as quite significant. Although the ACC focused largely on medium and large firms, its advocacy models were often published in the public domain for other groups to learn from, which could be understood as a form of 'knowledge utilization' (Turnpenny et al., 2009).

Another organisation with a wide national reach, the Associations of Employers' Organisations of Ukraine (AEOU), was active in nearly every region surveyed. As opposed to ACC, SMEs comprised the majority of its membership and its leader was the well-known oligarch, Dmitro Firtash. Although the group's focus was considerably broader than tax policy, AEOU leaders across the country spoke knowledgeably and passionately about the simplified single tax and its (positive) impact on SMEs. On the organisational website, AEOU lists amongst its key partners several organisations also represented in the interview data for this research. They included the aforementioned Ukrainian League of Industrials and Entrepreneurs (ULIE), considered a major player within Ukraine's business lobbying circles, as discussed under the previous section on Kinakh. Interestingly, following the political upheaval of early 2014 and the subsequent departure of Firtash, the AEOU website listed Kinakh as head of the Association. This appeared to be a consolidation of interests across these two large organisations, a topic that had been previously discussed via various agency web portals (Об'єднання організацій роботодавців України, 2012) (Федерація роботодавців України, 2010) (Конфедерація роботодавців України, 2007). However, this topic did not arise during interviews making it difficult to say whether the organisational amalgamation would constitute increased influence over policy agenda-setting. Tellingly, although AEOU received frequent mention throughout the dataset (15% of interviews), such references were rarely coupled with information regarding the Association's interaction with other key actors. This indicated that stakeholders were either unaware or unconcerned about AEOU's merger with ULIE. Furthermore, mention of AEOU was decidedly neutral, often mentioned in passing without elaborating on its precise role or level of influence.

The Ukrainian Chamber of Commerce was another nationally-based domestic organisation that received interview mention in all four research regions. With offices frequently housed in public buildings, the Chamber seemingly maintained close ties to government. Similarly to AEOU, the Chambers' membership was made up mainly of SMEs (with an emphasis on the medium), and as an organisation it engaged across a wide range of issues, with SME tax policy amongst them. A standout element within the Chamber's structure were associated SME Development Centres, of which the one based in Donetsk commanded the most resources (Центр розвитку малого и среднего предпринимательства, 2014). Similarly to the AEOU, the Chambers' mention in the dataset was remarkably neutral, with a high frequency of mention (22% of interviews).

The Taxpayers Association of Ukraine (TAU) was another nationally-based organisation, which, similarly to the EBA and the ACC, closely followed a western lobbying model. Founded in 1998, the TAU engaged directly with government actors on behalf of its members, working to influence tax policy directions in their favour. The association also provided information sharing services to its members (Асоціація платників податків України, 2011), as did most of the organisations in this section, keeping them updated around legislative developments and their predicted impact on SMEs (Асоціація платників податків України, 2013). Of all the branches across Ukraine, the TAU in L'viv engaged most readily with this research (Асоціація платників податків України Львівській області, 2011), with several TAU branches in research cities being amongst the few agencies to actively refuse an interview.

The L'viv-based Assembly of NGOs for Small and Medium Businesses of Ukraine (Assembly) was distinct from many of the groups in this section through its relative detachment from the majority of other groups. Although the Assembly utilised many of the same tactics as the groups detailed above, with incredibly active advocacy tactics dominating the group's work, it was rarely cross-referenced with other associations. In addition to more traditional lobbying tactics (using established contact networks), the Assembly operated regular Auto-Maidan protests. These were coordinated automobile-based protests, organised in different small towns throughout L'viv Oblast. Their format usually consisted of a drive through a town, calling out by loudspeaker to gather interest, followed by an impromptu speaking event at the local town square (maidan).⁴¹ These events were designed to educate the public, including local SME stakeholders, around continually changing tax legislation and the role of civil society in monitoring the government at all stages of the policy process. The Assembly also made wide use of social media to spread its message (Асамблея громадських організацій малого та середнього бізнесу України, 2014), and generally maintained an extremely active presence with the city of L'viv. Despite the fact that the Assembly had a wide support base within L'viv Oblast, the organisation was not mentioned in interviews outside of western Ukraine.

Several of the domestic organisations in western Ukraine, although extremely active, fell into a different sphere of orbit than the associations detailed earlier in this section. For this reason, they have been left out of the relationship map below (Figure 5.3), and will be dealt with in more detail under the regional analyses in Chapter 7.

The final two organisations surveyed here had a slightly different make-up than the others, as both were comprised of representatives from various SME-orientated organisations. The Council of Entrepreneurs under the Cabinet of Ministers (Council) operated at both the national and regional levels,⁴² with representative offices in nearly every oblas't. It represented just one example of the multiple 'public' or 'citizens' councils convened in association with government bodies. Thusly, the Council maintained closer ties to national networks, with a convocation closer to that of a governmental advisory body than that of an NGO (Рада підприємців при Кабінеті Міністрів України, 2011). This body constituted one of the most substantial efforts to date of the Ukrainian government towards incorporating regular feedback from entrepreneurs into policy considerations, a suggestion that had been made repeatedly by Ukrainian SME advocates. Although much room for procedural improvement remained, the Council was nonetheless recognised as 'a demonstration of efforts on the part of the state to create formal channels for communication with SME stakeholders' (Lyapin, Lyapin, Stupyt'sky, & Shklyanruk, 2002). Several of the individual actors detailed above (Lyapina, Prodan, Korolevs'ka) have previously held posts in the Council. Many in the Council also maintained strong ties to the NGO sector, working with both domestic and international organisations. It therefore seems that the Council held a uniquely influential position in regards to lobbying for SME interests, although research data did not indicate that this influence translated into direct outcomes for SME stakeholders. This may, however, be more of a commentary on the Council's softer advocacy tactics, rather than on its level of influence. As with other organisations, the Council was not equally active across Ukraine. Its central and western branches were the only regions where Council representatives gave interviews. It was also from these regions that the group's mention occurred most frequently in the dataset (4%).

Beyond the Council, many other government bodies at all levels of administration, included a public council. Such councils could be found in association with most oblas't and municipal administrations, as well as with regional

⁴¹ The 'Auto-Maidan' terminology has become widespread in Ukraine.

⁴² Рада підприємців при кабінеті міністрів України

tax offices and this thesis' micro-level case study, the State Committee of Ukraine for Regulatory Policy and Entrepreneurship (SCURPE). Interview data did not systematically cover these councils, both because they were too great in number to account for each one, as well as the fact that they were not consistently operated. It was also extremely unclear how much weight their activities carried, and would need to be the subject of further research.

The other organisation with an amalgamated organisational model, The All-Ukrainian SME Coalition (Coalition), was a recent addition to the scene, holding its second annual meeting in 2012 (with this research in attendance). Coordinated by the aforementioned Prodan, the Coalition brought together a wide range of SME associations and stakeholder NGOs under one roof. As a newly established group, it was more difficult to comment on its relative influence but initial indications pointed towards a wide range of actor participation. Many of the key actors surveyed here (both individual and organisational) took part in the Coalition's annual meeting, either actively (Kuzhel', Lyapina, Prodan, Lyapin, Byikovets) or passively (CIPE, EU Delegation, Council). Many other 'secondary' actors not included in the tables in this chapter were also present, making the Coalition the most widely participated in form of SME organisation (see Figure 5.3). This fact ties in closely with this thesis' primary hypothesis, as the Coalition provides an example of improving implementation conditions through the work of SME stakeholders. Its formation was linked to the 2010 Tax Maidan, demonstrating an increasing recognition on the part of SMEs and their respective associations that strength can be greater in numbers (Всеукраїнська коаліція малого та середнього бізнесу, 2012a). However, despite this positive indicator regarding stakeholder inclination to join forces, several respondents commented on the Coalition's weaknesses. These included shortcomings such as a decidedly middle-aged crowd (lacking young entrepreneurs) (Interviews, K_B22 (E)), the high number of organisational goals and the power struggles that resulted from bringing many individual leaders together into one coalition (Interviews, K_B16 (E)). Further of concern were the overly broad resolutions taken at the 2012 conference, which attempted to cover more objectives than the Coalition arguably had resources to manage (Всеукраїнська коаліція малого та середнього бізнесу, 2012b).

The above presentation of domestic SME actors includes many groups where informal networks and ongoing relationships provide the basis for organisational functionality. This recalls the earlier mentioned role of informal 'trust networks' between colleagues and friends towards accomplishing change (Tilly, 2007), a platform of interconnectedness based on shared history (Acemoglu & Robinson, 2006). Considering Ukraine's current transitional development, such linkages appear to be more critical in building SME advocacy platforms than formal public structures. As these types of informal institutions comprised a significant portion of implementation activity, their consideration is factored into concluding results in a more overt manner than the AIC model currently covers.

5.3.3 International organisational actors

When considering the international organisations involved in Ukrainian tax policy within SME sectors, it is helpful to bear in mind the concept of 'transformative power' (Grabbe, 2005), through which powerful international actors exert influence. Research on the topic of external governance has come largely from Europe, as scholars continue to document the EU's foreign policy approaches and resulting outcomes. In the post-Soviet transition region, research has demonstrated that EU influence can result in the adoption of 'policy-specific democratic governance provisions [even] in the absence of accession conditionality' (Freyburg, Lavenex, Schimmelfennig, Skripka, & Wetzels, 2009). Thus, international actors, including but not limited to the EU, have been able to wield considerable influence in Ukraine. This has been largely due to their direct access to high level (government) actors, their highly

structured organisational approaches, and their considerable resources available (by comparison to their Ukrainian counterparts).

The European Union Delegation to Ukraine included a Department of Investment and Business, which regularly engaged with tax policy processes, both through information analysis as well as policy advice. This department also gave presentations to SME stakeholders, applying western (EU) models to Ukrainian SME conditions in order to present potential paths towards overcoming obstacles in the business environment (Dowden, Hopkinson, & Trofymova, 2012). This department also maintained good, semi-formal relationships with other key actors in the tax policy arena, including the Center for International Private Enterprise (CIPE), the All-Ukrainian SME Coalition, and the EBA. At a government level, the EU Delegation engaged directly with the Ukrainian government in a policy advice capacity, inclusive of discussions around SME tax policy. Similarly to the EBA and the ACC, although the focus of the EU Delegation Department of Investment and Business included SMEs, its wider sphere of activity incorporated large firms as well. Interestingly, the EU Delegation was mentioned in only a few interviews, nearly all of those from respondents who worked directly with the Department of Investment and Business. This indicated that the EU Delegation's work in regards to Ukrainian SMEs and tax policy did not have a particularly broad informational reach beyond its core stakeholders. This may represent a contrasting phenomenon to Grabbe's 'transformative power', as scholars have more recently noted that the effects of EU external governance 'become weaker and inconsistent if the EU offers less than membership or association that might lead to accession in the future' (Schimmelfennig & Scholtz, 2008, p. 190). Despite the events that have transpired in year since the Euromaidan began in November 2013, which have thus led to the formalisation of the Association Agreement between the EU and Ukraine, this course of events was not present during research collection. Thus the EU Delegation's comparatively narrow scope of contact may be in part explained through EU-Ukraine relations at the time, when formal association had not yet been attained.

Another international organisation with multiple support streams regarding SME tax policy was the International Renaissance Foundation (IRF). This internationally-based NGO was founded by philanthropist George Soros and operative in many countries around the world (International Renaissance Foundation, 2010). Several initiatives detailed throughout this thesis received funding from the IRF, including The Green Book for Small Business (Д.В. Ляпін et al., 2012). Because of its international recognition, IRF appeared frequently in interviews (13%), though not all of these occurrences were in direct connection to the single tax policy. Information sharing and provision of grant funds were the primary IRF support activities, with activities such as networking and advocacy training falling outside the organisation's scope in regards to the single tax. Just as with other organisations surveyed here, SME sector support comprised only one part of IRF's overall programmes in Ukraine (Відродження, 2014).

One of the most impactful SME organisations in Ukraine was the Center for International Private Enterprise (CIPE), an international NGO based in the United States (Center for International Private Enterprise, 2014). As opposed to other international organisations, CIPE's work in Ukraine focussed explicitly on supporting the SME sector. Its activities encompassed information-sharing, educational seminars and advocacy training, financial support for domestic SME initiatives, and stakeholder networking opportunities. Although CIPE was primarily concerned with broader advocacy tactics, rather than tax-specific issues, its work programme taught broad concepts that could be applied directly to SME difficulties with understanding tax legislation and confronting corrupt tax officials (Баландіна, 2012). Most notably, CIPE conducted a coordinated programme of learning modules for SME

stakeholders across Ukraine, bringing participants together three times within a calendar year for intensive seminar retreats.⁴³ The modules focused on developing proficiencies such as advocacy coalition formation, presentation skills, and legislative analysis, thus arming individual SME owners and association leaders with an increased ability to legally leverage the system. The sessions were structured around themes such as ‘development potential of business associations in Ukraine’, providing attendees with core materials specifically concerning ‘organisational development’ and ‘advocacy’ (Center For International Private Enterprise, 2012). A side effect of the CIPE modules were highly networked SME stakeholder groups, as throughout the programme participants were regularly brought into contact with their peers from other parts of the country. Such networks added immense value to regionally-based advocacy efforts, by expanding the range of expertise and methodologies that individual organisations could draw from.

CIPE’s office in Kyiv was run by a Ukrainian native with work experience in both domestic and international organisations (Ukrainian Ministry of Finance and USAID). The choice to have a local individual run the programme no doubt worked in CIPE’s benefit, as its leader was able to operate effectively both within Ukrainian and international NGO paradigms. This could also be seen as application of trust network principles within the context of an international organisation (Tilly, 2007). Beyond this local component, CIPE’s success was further due to the well-thought out substance of its work programme, and the professionalism of its approach. CIPE was mentioned in 8% of interviews, with respondents evaluating the organisation as the ‘most interesting’ organisation for SMEs (Interviews, D_C12 (R)), and ‘extremely educational’ (Interviews, D_B9 (R)).

Other international organisations not detailed in full included USAID, Swedish International Development Agency, Canadian International Development Agency and the British Council. Although several of these groups were represented amongst interview respondents, their impact within the SME sector was not as direct as those surveyed above. Of these groups, CIPE most clearly demonstrated the leadership principles of ‘co-ownership’, whereby domestic actors were increasing their own ‘governance capacity’. In the case of the EU Delegation, such efforts were less prevalent, creating a more ‘asymmetric’ quality to international-domestic cooperation (Lavenex, 2008, p. 946). The IRF may have fallen somewhere in between, seeking to empower local stakeholders but not with the specificity of focus present within CIPE’s work programme. The differing approaching of these organisations stemmed from their individual mandates, with external government representation (EU Delegation) being more concerned with high level policy influence than an enterprise-oriented NGO (CIPE).

Table 5.2 summarises key organisations’ frequency of mention within the dataset. Just as with individual actors, this information provides an overall picture of the informational footprint made by organisational actors, which elucidates their relative level of influence in SME tax policy. The relationship map (Figure 5.3) attempts to synthesise core actors from the two tables (5.1 and 5.2), in order to present an overall picture of the single tax policy process.

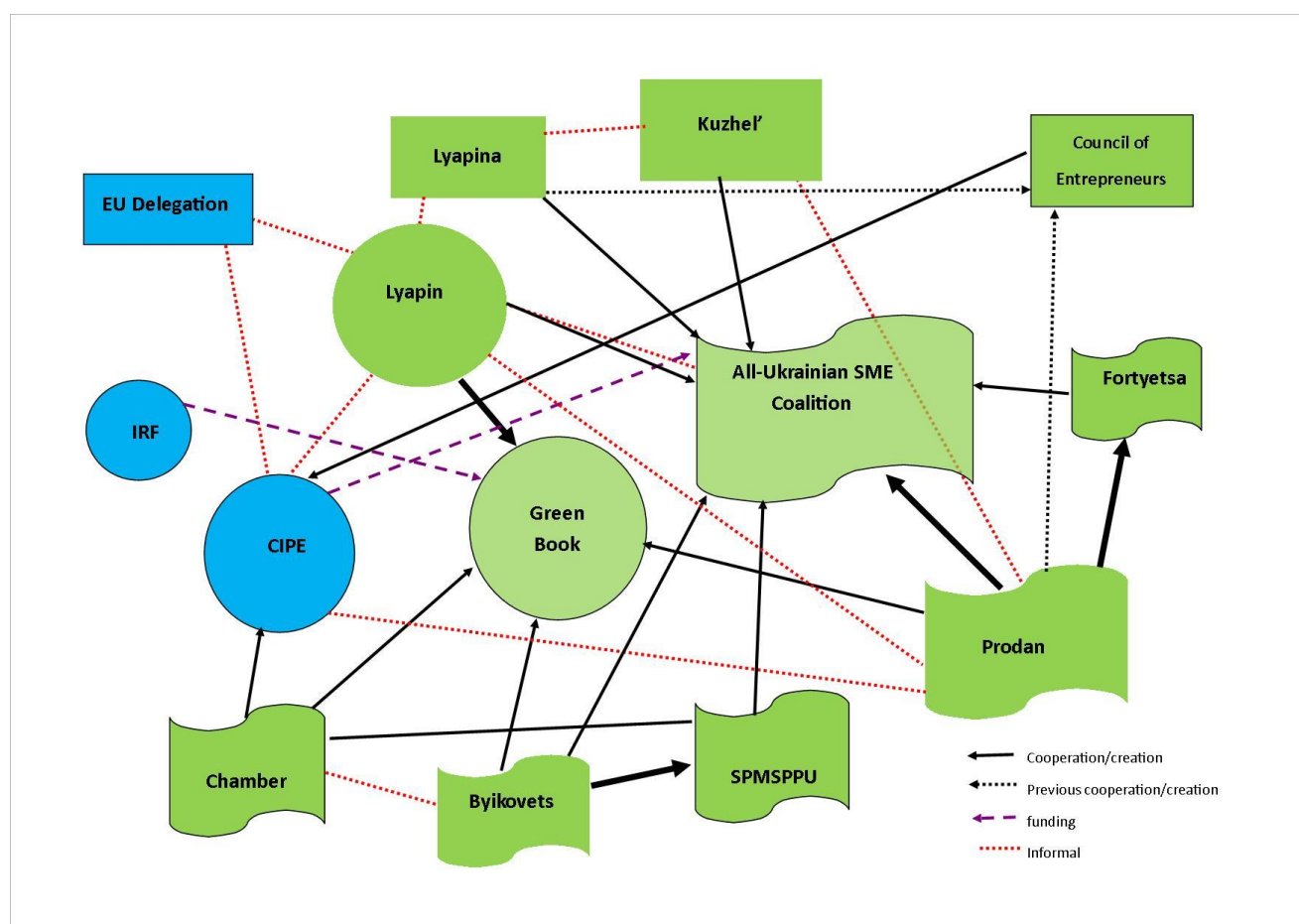
Table 5.2 - Key organisational actors (Single Tax)

Actor	Primary Status	Frequency of mention
Chamber	Domestic NGO	22%
AEOU	Domestic NGO	15%

⁴³ Participants were selected based on their own applications of interest, submitted directly to CIPE’s office in Kyiv, which represented a decidedly bottom-up approach.

Fortyetsa	Domestic NGO	13%
IRF	Intl NGO	13%
EBA	Domestic NGO	11%
ACC	Domestic NGO	9%
TAU	Domestic NGO	8%
CIPE	Intl NGO	8%
Coalition	Domestic NGO	4%
Council	Govt NGO	4%
SPMSPPU	Domestic NGO	3%
Assembly	Domestic NGO	1%

Figure 5.3 – Individual and organisational actor relationship map (Single Tax)



Although many additional organisations and individuals played a role in the single tax process, the actors included in Figure 5.3 were selected for their frequency of mention throughout the dataset and/or their presence in a majority of the research regions. Further to these two measurable indicators, actors included in the relationship map were selected for their high degree of ‘interconnectedness’, displayed through their linkages to other key actors within the single tax policy process.

The themes of governance discussed in Chapter 3 become especially pertinent when considering the relationships between individual and group actors. In western frameworks, where governance models tend to be inclusive, policy implementation often extends to include private and civil service actors together in networks with state actors. In these contexts, many of the non-governmental organisations detailed above would have played a more defined, oftentimes even formal, implementation role. In the Ukrainian context, however, governance models

remained quite restrictive, with most non-governmental actors considered to be ‘outside’ the policy system. Implementation mandates were usually limited to government actors, with incorporation of private and civil service actors occurring as an exception to the norm. Such prescriptive frameworks resulted in a stifled system, whereby government agencies were expected to perform tasks beyond their capabilities (skill sets, resources). Additionally, non-government actors who may have been in a position to assist, were not given a mandate to participate, thus depriving the system of potential resource and efficiency improvements.

This phenomenon of restrictive governance extends beyond Ukraine to the entire post-Soviet region, patterns existent since the break-up of the Soviet Union, passed down as default governance models from an era of centralised planning. They have been furthered by the highly centralised government structures in many post-Soviet states (Goetz, 2001), which have thus sustained societal expectations that central government state actors will be responsible for nearly every aspect of policy creation and implementation. These norms are changing, however, as the persistent occurrence of non-governmental and international actors in the relationships detailed above has demonstrated.

5.4 Implementation mechanisms

It is helpful to consider single tax implementation actions in terms of what level of government bore responsibility for a particular action, as policy elements were implemented at all three levels of government (national, regional, local). At a national level, the State Tax Administration (STA) was listed as the agency responsible for issuing the ‘certificate of payment of the single tax’. As SMEs did not register nationally but regionally, this action would have presumably have been carried out by regional (oblast’) level STA offices, although this was not explicitly stated in the original legislation. On the original Presidential Decree, the Ministry of Finance was listed as the primary agency behind the simplified system (Указ Президента України Про спрощену систему оподаткування, обліку та звітності суб’єктів малого підприємництва № 727/98, 1998, section 6), however, implementation responsibility was never explicitly tied to this (or any) institution. This lack of specificity represented what scholars have termed ‘imperfect implementation’ (Gunn, 1978), where implementation paths are not clearly defined prior to their activation.

The single tax also included local level implementation, as the responsibility for setting tax rates sat with local councils (Указ Президента України Про спрощену систему оподаткування, обліку та звітності суб’єктів малого підприємництва № 727/98, 1998, section 2). The Single Tax Decree was notably vague on this point, with no further details given beyond the range inside of which tax rates were to be set (20 – 200 UAH). Local councils were also listed as being responsible for issuing the ‘certificate of payment of the single tax’, a directive that seemingly contradicted with the above order that the STA issue these certificates (Указ Президента України Про спрощену систему оподаткування, обліку та звітності суб’єктів малого підприємництва № 727/98, 1998, section 4), as the STA did not operate municipal offices. It could perhaps be assumed that in regards to the certificates ‘local’ in this context referred to ‘regional’. However, the wording around ‘local council’ in the original Decree explicitly translated into ‘municipal council’,⁴⁴ so the original legislation appears to have contained an embedded contradiction regarding implementing agencies, testament to the multivariate character of policy action (J. O’Toole, Laurence J., 2000).

This confusion was likely furthered through Ukraine’s underdeveloped structures around central government interaction with regional and local branches. Respondents confirmed this confusion with statements such as:

⁴⁴ The word used is ‘місцева рада’.

Very often local tax administrations differ in how they treat the issue, each one may explain it a little differently. So, as you know, many people have had problems, such as where to obtain the single tax certificate (Interviews, , L_C1 (U)).

Despite the fact that central government operated within a highly vertical power structure, levels of influence amongst regional and local government offices differed considerably, rendering implementation processes dependent on regional and local dynamics. The literature examining Ukraine's regional discrepancies across implementation certainly suggests this, identifying great differences across the country in terms of adherence to (and interpretation of) protocol (Smallbone & Welter, 2001). If procedural understanding differed significantly across regions, it would then follow that resourcing levels would most likely have differed as well. Almost certainly, available resources were greater in some regions than in others. An example of such regional differentiation can be found in the 'one stop shops'.

To alleviate the confusion around complicated single tax reporting, the STA introduced a new measure in 2008, designed to simplify single tax reporting (Державна Податкова Адміністрація України, 2008). Known as the 'one stop shop',⁴⁵ the policy initiated an electronic tax system, intended both to ease the reporting burden for firms, as well as to improve methods for monitoring economic activity. These 'one stop shops', referred to in some regions as 'permit centres',⁴⁶ were often informally connected to the local state-run employment centre.⁴⁷ Respondents differed greatly on their perception of this system's functionality. Some viewed the one stop shops positively, applauding the increased reporting efficiency they created.

Let's say I need some help. I come, declare, and do not need to run all over for every instance. That is, for us, very good (Interviews, 2012, D_A5 (R)).

This procedure took place in every city, every region created a permit centre. There are specific people there, administrators, they are like intermediaries...open government (Interviews, D_A7 (R)).

Not all respondents shared these sentiments. Some were less enthusiastic about the permit centres, claiming the programme had never functioned as it was intended.

We created the permit centres, we actively created them in Lutsk. We established a permit centre in 2006, but not everything has been properly completed. That is, some institutional elements were created, but there are a lot of processes that, if we're talking about the permit centre, well officials seldom gather in one place (Interviews, L_A4 (U)).

Other respondents were overtly negative in their assessment of the one stop shop, claiming that the centres had already stopped working in their region, or had never functioned at all.

Officially we instated this, a one stop shop, where it was possible to file all documents of a permitting nature, in order to...but it has already stopped working (Interviews, O_A7 (R)).

There were memoranda - a single window for customs, permits, licenses – but nothing was brought about in the end, there was nothing (Interviews, K_C5 (R)).

The experience with this Single Window for tax reporting demonstrated the degree to which implementation performance could vary around the country. This particular example established this phenomenon most clearly in

⁴⁵ 'Єдине вікно' translates literally as 'single window', though in English the policy was popularly referred to as the 'one stop shop'.

⁴⁶ разрешительный центр

⁴⁷ центр занятости

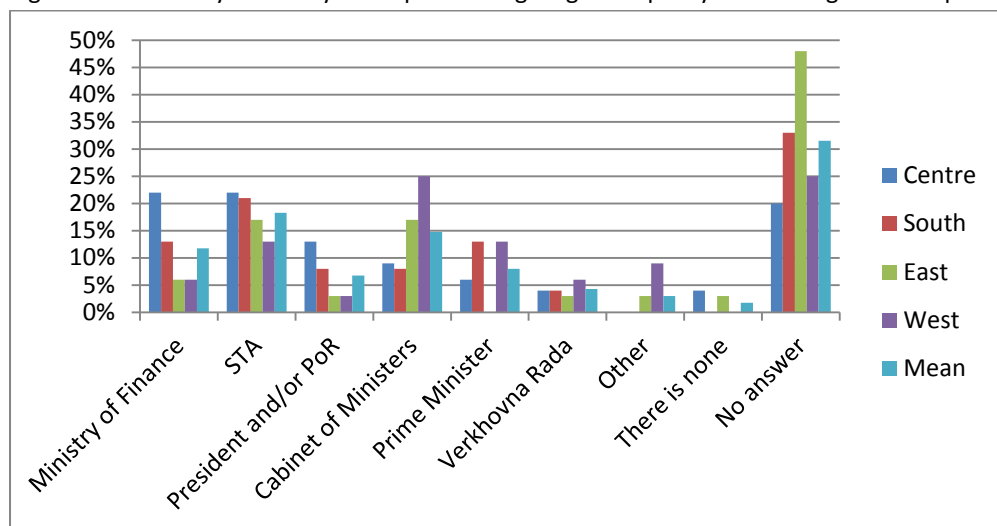
regards to the theoretical criterion on ‘resources’, with the nationwide variation in available resources making it difficult to determine whether the criterion had been satisfied.

Contradicting legislation was also an issue during the initial implementation of the Single Tax, as the intended course of action to constitutionalise the single tax as the primary mechanism for small firms never came to fruition (Giucci et al., 2010). Perhaps Kuchma had intended to consolidate the system but the expiration of his ability to use presidential decrees in an extra-legal capacity prohibited him from completing such plans (Protsyk, 2005). The end result meant that there was never an instrument in place to ensure that SMEs used the single tax system, meaning that an unspecified number of SMEs continued to utilise standard tax reporting mechanisms.

As research interviews were conducted more than a decade after the enactment of the Single Tax policy, it was no longer possible to pinpoint the complete set of specifics around local implementation during the policy’s first few years. Due to the increasingly electronic nature of information storage, many details from the initial era of the single tax were no longer accessible. Commenting on the efficiency with which single tax payments were distributed to their assigned institutions, was thus nearly impossible. Not only had considerable time passed, but also the use of electronic system was extremely limited in the late 1990s Ukraine, meaning that the majority of documentation around the issue would have been held only in paper copy. Where this documentation might be stored, or whether it even exists, would be questions for an extended research project with a scope significantly larger than this one.

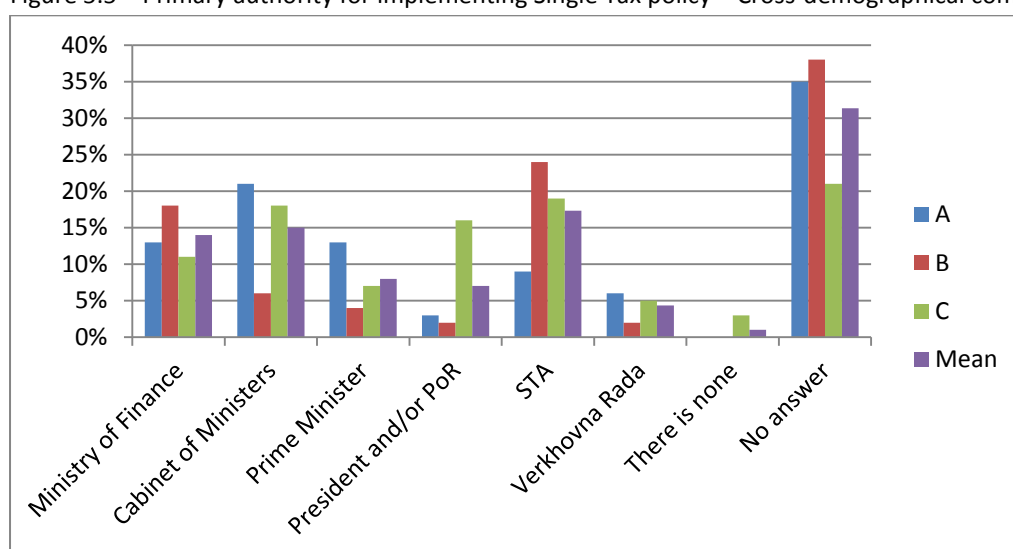
Policy implementation during the tax reform era looked somewhat different. As discussed above, the primary elements of the reforms included single tax eligibility definitions, increased payment rates, and the exclusion of the social contribution from within the single tax. At the national level, the legislation around these changes mentioned both the Cabinet of Ministers and the VR Tax and Customs Committee as agencies with a role in carrying out tax reforms. However their respective roles both took place more at the policy generation phase, with little evidence of their continued involvement during policy implementation. Not was this behaviour indicative of a politically-motivated policy (Gustafsson & Richardson, 1979), but it also represented a violation of ‘clear authority’ criterion, as those leading the reform process did not designated specific agencies to fulfil implementation requirements. This was most clearly observable through interview data regarding the primary authority responsible for single tax implementation. Respondents were asked who they considered to be the primary authority for implementing the Single Tax, of which the results are displayed according to regional (Figure 5.4) and demographical (Figure 5.5) comparison.

Figure 5.4 – Primary authority for implementing Single Tax policy – Cross-regional comparison



Amongst the actors notes above, the definitions of several can be clarified. Reference to the Prime Minister included all references to Azarov, who held this post at the time of research. In some contexts, Azarov may have been mentioned for his previous role as head of the STA, thus potentially inflating the perceived importance of the PM in tax implementation. References to STA included mention of the State Tax Inspectorate and State Tax Police as well as any references to regional tax administrations.⁴⁸ As noted in the graphic, references to the President were included together with those of his political arm, the Party of Regions. References to ‘the government’ were counted together with those citing the Cabinet of Minister whilst those mentioned under the ‘other’ category included SCURPE, Vice Prime Minister Serhiy Tihipko, and the citizens of Ukraine. Lastly, the high number of respondents who cited ‘no answer’ accounted for a significant percentage of total answers, which altered the perceived importance of the remaining answers. These specifications also apply to Figure 5.5.

Figure 5.5 – Primary authority for implementing Single Tax policy – Cross-demographical comparison



⁴⁸ Only one respondent cited regional tax administration offices as the primary implementing authority.

In both the above figures the total number of concrete actors was actually quite small (6). Of these, three hovered around the 15% mark (mean): the Ministry of Finance, the Cabinet of Ministers and the STA.⁴⁹ Of these three, only the STA received similar mention in comparisons across both regional and demographical data. This indicated that, despite the overall confusion around the ‘clear authority’ criterion, there was agreement amongst some key respondents as to whom was responsible for implementation.

Changes to the reporting paths were also part of the single tax reforms. When the tax reforms of 2010 began, the STA sat under the Ministry of Finance (MF). By the time of writing (2014) however, the STA, together with the State Customs Service, has been combined into a new Ministry of Revenue and Duties (MRD). The head of the new ministry, Oleksandr Klymenko, assumed the position of Minister of Revenue and Duties from his previous position as head of the STA. Effective from January 2013, the creation of the new ministry was intended to ‘reduce tax evasion’ and ‘cut back on corruption levels’ amongst tax collectors (Ministry of Revenues and Duties of Ukraine, 2014). At a regional level, implementation of the single tax reform measures continued to sit with regional branches of the STA. Upon creation of the MRD, these regional units simply began reporting to the MRD, rather than the MF. As this research did not specifically explore the transition between ministries, data did not reflect particular trends around how the change affected regional tax units.

This consolidation of all tax and customs functions into a singular entity signalled the government’s intention to address the tax loopholes and workarounds that had previously allowed businesses to avoid open tax reporting (Betliy, Kuziakiv, Giucci, & Knuth, 2011). This could be understood as an attempt to simplify the Single Tax, potentially reducing policy exceptions resulting from a ‘nested subsystem’ (Sabatier, 1999). Such actions may be interpreted as implementation improvements made to both the ‘small number of players’ and ‘communication and coordination’ criteria. Interestingly, Klymenko’s role as a public figure included considerable direct engagement with the EU (Embassy of Ukraine to the United Kingdom of Great Britain and Northern Ireland, 2013; Mission of Ukraine to the European Union, 2013), with him citing ‘european trends’ as a decision-making factor in combining tax and customs services into one ministry. These statements were particularly of note considering Ukraine’s ambiguous inclination towards the EU and the civil unrest that subsequently resulted. Following the recent overthrow of President Yanukovich, Klymenko resigned his ministerial post, and has recently made public suggestions on improving the plight of entrepreneurs in the conflict region of East Ukraine (Гаценко, Богданова, & Галаджий, 2013).

A note must also be added regarding the impact of other legislation on the implementation of the single tax. As has been mentioned earlier, the high number of legislative acts passed in the Ukrainian system created a complicated environment for SMEs. In trying to navigate correct reporting procedures for the single tax, many respondents became confused by other legislative measures, which affected their overall impression the single tax implementation.

If I know that there is a flat tax, I will not run, but these accounts have changed. Because yesterday there was one account, the next day another account, there was one method of calculating, and tomorrow I have to use a different method of calculation (Interviews, O_B3 (R)).

It is called the simplified system, the simplified [system] for small businesses, because the state is meant to simplify things to the point where a small business can somehow grow, survive, and climb up. But it is only

⁴⁹ The arguable exception to this was in the cross-regional comparison (Figure 5.4), where the Ministry of Finance received closer to 10% mention.

called simplified. Really it should be called the complicated [system], there are so many taxes, more in Ukraine, probably, than anywhere else (Interviews, D_B11 (R)).

The informal side of tax collection, the culture of illegal inspections and informal payments (bribes), has been mentioned throughout this chapter. Classifying the influence of this element on the tax system is exceedingly problematic. On the one hand, payments demanded by officials during illegal inspections are unsanctioned activities and considered to be outside of the system. On the other hand, the endemic nature of bribe culture in Ukraine (and across the post-Soviet region) means these activities very much part of the ‘system’. Although there have been legislative attempts to curb unplanned inspections, the routinized nature of this socially ingrained corruption means the problem occurs on social scale too large to be addressed by policy alone. A recent IFC report cited at least 25% of businesses as utilising informal payments as a way to ‘solve’ pressure from government inspection agencies (International Finance Corporation, 2009). The continued occurrence of the informal institutions of bribes and intimidation culture reflect on broader themes of post-Soviet ‘mentality’, which is further discussed in Chapter 8.

5.5 Reactions of key informants: Assessing implementation criteria

Research interviews covered the subject of the single tax in considerable depth. Discussions focused on respondents’ individual experiences with the tax, their assessments of its implementation, and its level of theoretical appropriateness. This section examines each of the Amalgamated Implementation Criteria (AIC) through the empirical data, drawing on interviews and primary sources (legislation, regulatory acts and other government documents), as well as insights from the research literature. Each criterion is evaluated individually, based on the inclusive empirical data, followed by a conclusion on whether the criterion was satisfied. Finally, the Simplified Single Tax is assessed on the basis of criteria satisfaction, to determine whether the policy was effectively implemented or not. The discussion below covers implementation aspects relating to the policy’s introductory era, as well as the time period around its reform.

5.5.1 Cause and effect

(1) Policy to be implemented is based on a valid theory of cause and effect.

The introduction of the Single Tax was intended to ease tax reporting for Ukrainian SMEs by simplifying filing procedures. Furthermore, the Single Tax policy did not reinvent the wheel, its design incorporated conventional tax wisdom around developing market economies, mimicking similar approaches in Russia and Hungary (Chepurensky, 2011; Dallago, 2011; Evans & Aligica, 2008). Secondly, simplified tax schemes were understood as viable mechanisms for reducing the size of shadow economies, both through the simplification of reporting procedures as well as the (frequently associated) reduction in amount of tax payment (Lyapin et al., 2002; Yacoub & Senchuk, 2000). The above considerations appear to have taken into account the notion of ‘cause and effect’, whereby an identified problem was addressed through a direct remedy. Stemming from this action, observable results occurred in short order, with significantly increasing numbers of openly operating SMEs (Держстат України, 2014a),⁵⁰ testament to policy’s effectual impact. This fact potentially represented a rare example of what has been referred to as ‘converting policy into action’ (J. O’Toole, Laurence J., 2000, p. 268), where an identifiable linkage can be traced from implementation through to policy outcomes. This positive effect was not surprising, considering that macro-level

⁵⁰ Until 2012 the data from Ukrainian State Statistics Committee measured only small firms (rather than SMEs).

policies (not be specific to the SME sector) often reach a larger percentage of firms than targeted direct action policies (Welter & Smallbone, 2011, p. 3).

The fact that the overwhelming majority of respondents supported the simplified single tax policy lent further credibility to its creation. Many key informants were quite enthusiastic in their support:

The presidential decree on the simplified taxation system was one of the most effective methods of our state tax policy (Interviews, D_A3 (R)).

After the crisis [in 1999] the country was on its knees. Then there was the famous decree of President Kuchma of the simplified system of benefits for small business, which functioned practically until last year. It really was a breakthrough because people were able to breathe easily (Interviews, O_C2 (R)).

Interestingly, the above mention of the currency crisis, would suggest that this ‘external event’ worked in favour of the policy’s implementation, as the single tax provided a solution to untenable conditions. Some respondents provided a more nuanced understanding of the single tax’s introductory years:

The first presidential decree was signed in '98, but it contained many errors, because it was based on the Russian model, which was a mistake. This mistake was initiated by the State Committee for Regulatory Policy [SCURPE] at the time. In 1999, this error was corrected. After there was a time with the most convenient form tax legislation for small business, which existed in this form until about 2002 (Interviews, K_B7 (R)).

Several additional pieces of information indicated that the policy followed conventional tax wisdom, and therefore incorporated the ‘cause and effect’ criterion into its creation. An Organisation for Economic Cooperation and Development (OECD) report from 2007 advocated simplifying procedures for SMEs (Weichenrieder, 2007), and a 2001 IMF report stated that:

Autonomy for small entrepreneurs has empirically proven rather easy to create. Essentially, only two things are needed - a simplified registration system and a simple lump sum tax. (Åslund, Boone, & Simon, 2001, p. 102).

Based on the above, this research considers the ‘cause and effect’ criterion to have been satisfied during the introductory era of the single tax.

Single tax implementation also met the criterion for ‘cause and effect’ during the reform era. Tax payments had not been adjusted during the decade since the policy’s inception, yet both prices (standard inflation) and standard of living had continued to rise, rendering the single tax payment an insignificant amount for SMEs earning at the high end of the profit band. Beyond this, research centres advocated the reforms according to conventional economic wisdom, citing the need to adjust the single tax to meet changed conditions. Statistical data furthermore evidenced significant reductions in total hours spent doing taxes and number of payments per annum followed the tax reforms (see Table 4.1), demonstrating an overall improvement in tax implementation conditions.

In terms of conjectural data, several interview respondents rated one of the President’s key economic advisors (Akimova) very highly. Although this is speculative, the presence of such a well-respected economist within the President’s core advisory team, despite the unpopularity of the president himself, indicated a potential awareness of ‘cause and effect’ emanating from economic and fiscal policy making. On the other hand, the political culture around President Yanukovych may well have been one of manufactured consent, meaning that his advisors’ true views may not have been incorporated into policy making. These speculations do not, however, impact significantly on the above findings regarding support for the tax reforms, both before and following their introduction. Thus, during their reform era the single tax policy aligned with theories of cause and effect.

Similarly to support for the tax during its introductory era, many respondents were in favour of the reforms and felt that they were long overdue. Although they recognised that reforms would cause difficulties for some firms, such respondents felt that the single tax system had outrun its own lifespan and was no longer a realistic instrument.

These changes enable the driving of businesses out of the shadows, to reduce the shadow economy, legalize business. Therefore, in this sense, for the state, these changes may subsequently bring about positive change in reality (Interviews, O_B1 (R)).

We have started to outgrow the simplified system of taxation, there should have already been changes to it. So, there haven't been any significant changes, at least not those that have been needed. And so, this simplified system has begun to engulf itself (Interviews, K_C3 (R)).

Respondents specifically mentioned the fact that single tax rates had become extremely small in comparison with average earnings.

My feeling is that such a tax system doesn't really exist in any developed country, where you basically can do everything without paying anything. The tax is so low I think the only thing people would like to have is that it would be made as simple as possible with as low limit as possible too. At the same time if you look at the country's point of view, then you have to find a mechanism to collect taxes (Interviews, K_B3 (E)).

If a business is small enough then it pays a fixed sum, 200 hrynvia per month, this is not even a sum [of any significance], right? This is the cost of tea in a restaurant (Interviews, L_C12 (R)).

In addition to the low tax rates, the problem of cultural norms that condoned tax avoidance was mentioned.

It is a good idea [the single tax]. But there is a caveat. Due to the fact that we have a serious mistrust of authority, even under the single tax system we don't declare all our earnings. (Interviews, O_C7 (R)).

Along these lines, several respondents mentioned the need for education programmes to improve societal attitudes towards taxes, suggestions that touch on broader concepts of 'social milieu' and are further discussed in Chapter 8.

Examples from the Ukrainian literature further supported the reforms, citing them as a mechanism to 'stimulate entrepreneurial initiative and thereby (through increased competition) reduce the costs of goods and services to the general population' (Коваль, 2012, p. 246). Taking the above empirical and theoretical evidence into account, the Simplified Single Tax may thus be said to have met the 'cause and effect' criterion during both its introductory and reform era.

5.5.2 Active support

(2) The policy has active support from key constituents and legislators.

During its introductory era, the single tax enjoyed considerable support at the highest level of government. This occurred through two key personages, President Kuchma and Oleksandra Kuzhel', then head of SCURPE. Both of these actors wielded considerable influence, the single tax policy was well supported at the highest level of politics. During the agenda-setting phase, these two actors were able to dominate the process in order to secure the single tax firmly in the political agenda. Kuchma's authority to issue Presidential Decrees contributed significantly during this stage (Protsyk, 2005), whereas Kuzhel' brought attention to the plight of Ukrainian SMEs as no actor had previously done.

Actively lobbying for small business was of course, the same and only Kuzhel, she runs a non-governmental organisation (Interviews, O_A7 (R)).

When Alexandra Kuzhel' issued her decree, her patent, she freed up our lives. She created a fixed patent and a flat tax, for this [we give her] a giant thank you (Interviews, D_C12 (R)).

Therefore, during the introductory era of the Single Tax, the promotion of the policy by these two key actors represented a satisfaction of the 'key support' criterion.

The story during the reform era was somewhat contradictory within itself. The key support of actors contributed towards the reform's implementation success, while at the same time detracting from it. One example of support was Kinakh, who, as mentioned earlier, drafted one of the legislative bills around the reforms, working with the mandate of a powerful business association (the ULIE) behind him.

In discussion regarding the Tax Code ULIE Kinakh participated very actively. Work took place with all parties: with enterprises, who were invited to a meeting with Azarov (Interviews, K_C5 (R)).

Although Kinakh was not the most powerful actor in Yanukovych's circle, the above mention of Azarov, who was then Prime Minister and therefore in control of the Cabinet of Ministers, indicated further high-level support for tax reforms. Although Azarov was a more polarising figure in regards to public opinion than Kuzhel' had been, at the time of research his influence over policy creation and implementation was significant.⁵¹ However, public disapproval of the administration included dissatisfaction with key actors, leading some respondents to comment on government support levels for SME tax reform as quite weak.

My opinion is that there is now an effective policy, but there are no effective government leaders, because take any politician, he is solving his own personal issues. This occurs with every politician, in my opinion (Interviews, D_C11 (R)).

SME stakeholders further felt that support at a government level continued to focus on large firms, leaving small and medium-sized businesses more or less to their own devices.

And especially in the current regime, it seems to me there is much more attention afforded to big business, such as they can lay their hands on. And this process continues, they buy up the largest, most profitable enterprises (Interviews, K_C7 (R)).

Complicating the issue of 'key support' was the fact that several individual actors surveyed in this chapter took part in public action protesting the tax reforms, the aforementioned Tax Maidan of 2010. These personages included Prodan and Korolevs'ka, as well as Lyapina and to some degree Kuzhel', although their roles were not always in alignment with one another. These considerations are discussed further under the criterion 'communication and coordination', as well as during the presentation of new implementation measurement criteria (stakeholder input) in Chapter 8. For the purposes of the 'key support' criterion, however, the actors participating in the Tax Maidan either had little influence in the Yanukovych administration, or sat outside the government altogether. Therefore, the support that actors such as Kinakh and Azarov lent to the single tax reforms, constituted a satisfaction of the 'key support' criterion during the reform era.

5.5.3 Clear authority

(3) A clear authority is behind the policy's implementation, correctly ordering tasks and managing implementation compliance.

⁵¹ In the events of early 2014 Azarov's public unpopularity resulted in his forced resignation as Prime Minister, an accession made by President Yanukovych in an attempt to remain in power.

The case for satisfying the ‘clear authority’ criterion was not as clearly cut as the previous two. This was partly due to the complex nature of the notion of authority, as noted in Chapter 3. Returning to this discussion on the nature of management, scholars have referred to a ‘unitary administrative system’ as one containing only a single chain of command (Hood, 1976). When this condition is relaxed or weakened, a control structure loses its cohesion, perhaps even being spread across multiple agencies. There are of course many ways in which power is challenged and undermined, making ‘unambiguous’ power the exception to the norm (Allison & Halperin, 1972). This can be due to ineffective administrative structuring, where key power levers are lacking from a position of leadership, or it can be a result of direct (or purposeful) interference.

In the Single Tax introductory era, any lack of ‘clear authority’ appeared most related to the former ambiguity: the absence of a mandate for leadership. Firstly, the original legislation did not specify responsibility for carrying out specific implementation actions, nor did it provide direction around the proper sequencing of steps. Despite the clearly written directives around payment and post-payment transferring procedures, the actual process left much room for interpretation. This resulted in a disorganised chain of command, especially in the interaction between regional and national level tax officials. This uncertainty represented the invisible ‘structural complexity’ of ‘interwoven government agencies’, making it difficult for implementing organisations to understand what was expected of them (J. O’Toole, Laurence J., 2009, p. 8). Agency span of control, demonstrative of ‘interest-group’ theory (Buchanan, Tullock, & Rowley, 2004), also entered the picture, with government departments exerting their own jurisdiction over the process wherever possible.

The Verkhovna Rada adopts laws and should be a central [figure] but the question includes the fact that this is common to each structure that has responsibility for something. [Each] one tries to oversee functions and powers, which in fact should be included in the essence of that the laws of the Verkhovna Rada adopts and should prepare. But let us say that in place of the legislation the tax [service] is trying to substitute its own orders, directives, and instructions (Interviews, D_A4 (R)).

In the Cabinet of Ministers this [tax legislation] is all now concentrated in the hands of the Ministry of Finance, which is currently trying its utmost to take power away from the tax [service] and transfer it to the Ministry of Finance (Interviews, K_C3 (R)).

This state of affairs existed during both the introductory and the reform era, with implementation processes arising from the legislation similarly unclear during both time periods. The power struggles between authorities (agencies) took precedence over ensuring that implementation actions were correctly ordered, a critical component of maintaining a ‘clear authority’ (Gunn, 1978).

It should be noted that, as opposed to many, some respondents were quite clear on which agencies were responsible for which elements of implementation.

The Ministry of Finance, of course defines the main areas for tax policy, but there is also the State Tax Service, which is to implement, to collect (Interviews, K_C9 (E)).

[It all] sits with the State Tax Service, because the concentrated resources and tax professionals are in their hands more so than with the Ministry of Finance. The functions and interpretation of the tax legislation, these remain exclusively in the hands of the tax authorities. In this way they build policy. The real player is the Tax Service, while the government sets the objectives (Interviews, K_C3 (R)).

Interestingly the mention of the STA in both the above quotes, aligned with the data presented in Figures 5.4 and 5.5. If the mean percentages for each agency are added together from the two figures, the STA becomes the agency that was mentioned most frequently overall.

However, the unclear delegation of duties confused the process, which corresponded to the fact that many respondents felt that the tax reforms had been poorly carried out.

Of the government officials, politicians, and civil servants, who are actively involved in these reforms, it is difficult to make a team. That is, as I have already told you, that the customs [service] acts in its own interests, as do the ministers act according to their own interests. All are concerned with one and the same task – the need to pull in more money. Though it turns out that they are in conflict with each other (Interviews, O_C2 (R)).

It should be noted that, despite the lack of clarity around the process, many respondents still considered the tax reforms to be a positive policy change.

In many respects they [tax reform changes] were needed, and in my view they are correct. The only thing is that the mechanism of implementation and administration of this tax, and the time of introducing [these changes] were not the best (Interviews, L_B2 (U)).

But the fact that almost no interviews considered the reform process to have played out well, combined with the duplicative responsibilities assigned to various government agencies and department, constituted a failure of the ‘clear authority’ criterion during both the introductory and the reform era.

5.5.4 Small number of players

(4) There are a small number of key players involved in the implementation process and dependency relationships between them are minimal.

During the introductory era of the Single Tax, the pool of players was small, limited to the policy’s two primary creators and a few government agencies. Despite early adherence to the ‘small number of players’ criterion, in the years between the policy’s introduction and its reform, the group of actors involved swelled to become quite large. As large groups comprised of varied actors traditionally have a difficult time reaching action points (Olson, 1971), implementation of the tax reforms became less effective as the policy networks expanded.

The impact of such multi-organisational systems has been shown to detract from implementation efficiency (Hill & Hupe, 2003). Not only are additional checkpoints created (with each additional agency), through which any policy action must pass (Stearns & Zywicki, 2009) but the aforementioned ‘interest group’ stakeholders increase as well. Furthermore, multi-agency networks nearly always include dependency relationships (Provan & Kenis, 2008), with actors either working closely together with regularity, or even holding several simultaneous positions across overlapping organisations. Maintaining a small number of players, or actors, within implementation spheres, is therefore critical to policy momentum.

During the reform era, although the channels of authority amidst organisational actors were not always clear, the number of groups involved was actually rather small. As Figures 5.4 and 5.5 demonstrated, three key actors (Ministry of Finance, the Cabinet of Ministers and the STA) were largely understood to be responsible for implementing the policy on the ground.

Additionally, some respondents spoke of the ongoing consolidation of power into one streamlined unit, the Party of Regions political party.

We now have all public authorities acting in a consolidated manner. That is, now there are no such [occasions] where Parliament feels one way and the Government another. Of course, the Parliament has varied people, but the majority of [members of] parliament have the same view as the Government, as the President. More specifically, as the ruling party. I think the answer to your question is probably the Party of Regions (Interviews, L_C1 (U)).

Such comments referred to political conditions around decreasing social freedom and were not directly concerned with implementation efficiency. However, the consolidation of power under Yanukovych and Party of Regions that was taking place during fieldwork (2012), may have created a side effect that reduced the number of implementation actors. Therefore, the ‘small number of players’ criterion that was satisfied during the introductory era was also met during the single tax reforms.

5.5.5 Mutual understanding and commitment

(5) There is mutual understanding of and commitment to implementation goals by key parties and organisations involved in implementation process.

The Single Tax policy saw wide-ranging interpretations of its application, with implementing agencies more likely to prioritise their own organisational objectives during the process. An example of this can be found in the loopholes that allowed employees at large organisations to file their personal taxes under the status of ‘individual entrepreneur’. During research interviews, employers and employees alike cited their participation in this scheme, rarely expressing concern (or sometimes even awareness) that they were acting incongruously to intended implementation procedures. Such behaviours may be considered as part of a ‘policy-action’ relationship, whereby institutional manoeuvrings create a ‘negotiated order’ (Barrett, 2004, p. 253). However, the occurrence of employers permitting their personnel to file under the single tax, as though they were individual entrepreneurs, did not appear to have stemmed so much from power games as from the mutual benefit (financial gains) it afforded both parties. By interpreting the single tax in this way, employees paid lower tax rates while employers escaped employment tax on the staff member in question. This ‘win-win’ situation for individual SMEs and their personnel represented the most common divergence from implementation objectives.

The legislative contradictions around span of control, which saw certain tasks designated to multiple levels of government, constituted a further failure around the ‘mutual understanding and commitment’ criterion. This occurrence appeared to be related to the failure around criterion ‘clear authority’, as the disorganised chain of command was a primary contributing factor to misunderstandings at the regional and local levels. This may indicate that the relationship between the ‘clear authority’ and ‘mutual understanding and commitment’ criteria was causally linked, so that failure to satisfy one criterion resulted in an automatic failure to satisfy the other. The end result was a duplication of efforts, with different agencies working towards the same tasks regarding SME tax reporting. To some degree, this could be attributed to the ‘multi-layered problem’ of numerous agencies engaged in similar tasks (Pressman & Wildavsky, 1973), oftentimes involving differing objectives between national and regional level authorities.

Very often local tax administration interprets it [the single tax] somewhat differently, it explains it a little differently. In this way many people had problems, for example, with obtaining the certificate single tax (Interviews, L_C1 (U)).

To some degree, the differing interpretation of implementation directives between central and regional bodies, was reminiscent of the EU’s routine efforts to ensure member state compliance (Zhelyazkova & Torenvlied, 2011), or that of any other central-peripheral governance relationship. However, beyond interpretation differences in compliance approaches, implementation was also stymied through a lack of enforcement mechanisms.

There are no mechanisms for implementation. That is to say, a law was passed and the law is good. It was a good law on regulatory policy, great that it was adopted. But it did not work (Interviews, D_B5 (R)).

This spectrum of possible interpretations was made wider still by ambiguities in the legislation itself.

Many of our licensing procedures overlap one another.... laws sometimes contradict each other (Interviews, O_A4 (R)).

Other respondents spoke of the government issuing ‘complications for complications’ sake’ and ‘not playing by the rules but with the rules’ (Interviews, K_B17 (E)). All of these circumstances together rendered the ‘mutual understanding and commitment’ criterion unsatisfied during the initial introduction of the Single Tax.

During the reform era, the fluctuating nature of government objectives around the single tax continued to confuse civil society and stakeholder organisations affected by the changes.

We are faced with a system where one person, who worked in the government, then in comes a new person in power and he absolutely does not do that, which was stated in the strategic plan. That is to say, the plan for strategic development remains just another good-looking book, which sits in the Mayor’s closet. This is very sad (Interviews, O_C8 (R)).

Similarly to the introductory era, during the reform era there appeared to be a correlation between a failure to comply with the ‘clear authority’ and the ‘mutual understanding and commitment’ criteria. The failure to correctly delegate tasks in a specified order that constituted a failure to meet the ‘clear authority’ criterion subsequently created misunderstanding amongst agencies, who could not then work amongst themselves clearly because they had been issued varied directives. From a stakeholder point of view, SME organisations were not taken seriously at a government level.

When their [SME stakeholders] interests intersect in the fight for something or other, of course they somehow act together. But due to the fact that, roughly speaking, we are lacking a civil society, the government feels it can ignore all these desires from below (the people), so as long as they do not go cross into such territory as some sort of Maidan (Interviews, D_B6 (R)).

In addition to the low priority afforded Ukrainian civil society, this low level of impact wielded by stakeholder organisations may also have arisen from their general lack of cohesion. When NGOs and SME associations did come together under one banner, they tended to set unachievable goals for themselves. Groups such as the All-Ukrainian Coalition of Small and Medium Business regularly drafted working agendas that over-stretched their capabilities (Interviews, K_B16 (E)), rendering them less available to assist SMEs with an already confusing implementation environment. Thus, at both a government and civil society level, implementation of the single tax during the reform era did not satisfy the ‘mutual understanding and commitment’ criterion.

5.5.6 Communication and coordination

(6) Key players and implementation agencies have good communication and coordination between them.

At the time of the Single Tax’s introduction, Ukrainian government circles were narrow and the policy’s creator (Kuzhel’) would have personally been acquainted with many of those working directly under her to implement the policy. Implementation at this time, even if not always clearly designated, appeared to be largely a ‘cooperative process’ (Scharpf, 1993). This, combined with the strong networks of Kuzhel’ and Kuchma, represented a satisfaction of the criterion for ‘communication and coordination’ during the policy’s introductory era.

Evaluating the criterion during the single tax reforms was more complicated. The development of a public protest around the initial reform package clearly testified to the fact that SME stakeholders were unhappy with the

planned changes. Their dissatisfaction arose in part from the lack of government communication preceding the changes. In November 2010, representatives of small firms from around the country gathered for nearly two weeks in the centre of Kyiv to protest this lack of consultation with the SME sector (Осипова, 2013). This event became known as the Tax Maidan, and included many of the actors detailed earlier (Prodan, Korolevs'ka, Lyapina), as well as other SME and civil society leaders. Some respondents understood tax reforms as an attempt to legislate small and micro-firms out of business, often associating SME disgruntlement with the Tax Maidan protests.

When small businesses realised that the [new] tax code would destroy this system [of single tax], small businesses came forward to defend this system. Period. Everything else that happened, in a political sense, around the Maidan – that was just political provocations and insinuations (Interviews, K_B7 (R)).

For truly small businesses it [the single tax] is a very good idea. In principle these people who, who work according to the single tax, many of them do not even...shadow-ify their activities. But if it is just cancelled, it seems to me that more of the economy will be in the shadows. They simply cannot compete with large ... enterprises (Interviews, L_B9 (U)).

This new tax code is quite normal. For the majority of businesses it is normal. The question was, as you know, that there was a tax protest around this code. The protests were most important for very small businesses, which trade mainly at the market. Moreover it was these small-scale retailers, for whom conditions have deteriorated the most (Interviews, L_C1 (U)).

It should be noted that misinformation was abundant, with respondents under the impression that the government intended to discontinue the Single Tax, which was not the case. However, complaints regarding the consultation process were largely justified, as detailed in the above section on agenda setting. Communication with a group as diverse as the SME sector was admittedly a challenging task (Fischer-Smith, 2013), but efforts to incorporate stakeholder input were incomplete. Not only were upcoming tax changes not effectively communicated to the SME sector beforehand, but no education campaign accompanied the policy. To this end, the Tax Maidan protests took the government by surprise, resulting in a scale back of some elements of the planned reforms. This indicated that the poor 'communication and coordination' around introduction of the reforms backfired on the administration, which was forced to relinquish its original position.

Some respondents did not view the Tax Maidan as a significant event, citing it as a concern only for the smallest businesses, individual entrepreneurs trading in the open markets and street corners. As they emphasised, most of the reforms that were scaled back following the Tax Maidan were simply reintroduced into the tax code during the continued reforms of 2012, which from a 'policy impact' perspective rendered the Tax Maidan only temporarily successful (J. O'Toole, Laurence J., 2000). However, if viewed from the position of 'bottom-up' policy scholars as part of an evolving continuum (Hjern, Hanf, & Porter, 1978), the Tax Maidan was extremely effective. Respondents confirmed this through their expressions of improved communication channels between government actors and stakeholder associations.

We started to work with them [tax administration] and moreover, together with entrepreneurs we created a public council, which meets regularly with the regional [oblas't] government administration. This is where we discussed issues, our points of view did not always match, but we considered [concerns] and it was a formal mechanism of cooperation. Its effectiveness was negligible because all these proposals were really of a recommendatory character. They might be accepted, they might not be accepted, but in any case [through the process] we began to understand each other better (Interviews, O_A4 (R)).

Not only did the Tax Maidan improve communication relations between government and non-government SME actors, but it also brought like-minded stakeholders into contact with one another, facilitating the creation of new

linkages and networks within the SME sector. In this sense, the Tax Maidan significantly contributed to growing concepts of grassroots advocacy within the SME community.

The occurrence of the Tax Maidan demonstrated how the single tax reforms failed to satisfy the criterion around ‘communication and coordination’. And while the government did take some steps towards improved electronic communication through the MRD’s revamped website, inclusive of links to e-forms for most procedures and a more organised document database (Ministry of Revenues and Duties of Ukraine, 2014), these efforts went unnoticed by the majority of respondents. Furthermore, these improvements occurred significantly after the reforms had been introduced and could not therefore be said to have facilitated the reform process. This research therefore considers the ‘communication and coordination’ criterion unmet during the reforms.

5.5.7 Available resources

(7) Resources are sufficient and available.

Of all the criteria it was most difficult to comment on adherence to the theoretical framework around ‘resourcing’. Due to the highly centralised nature of policy making in Ukraine, respondents from demographic A were best able to speak to this point. However, only a small percentage of these respondents possessed direct knowledge around resourcing provisions in their respective agencies. Those individuals who did comment on resources levels agreed nearly unilaterally that the means were insufficient to accomplish implementation objectives.

Resources are very scarce. They are just sufficient to enable me to be a public volunteer and present everywhere for free, to write some documents and articles (Interviews, K_B10 (R)).

We do not have resources. We are people who process information and submit it to the top, we say to [those in] power: guys, it can not continue this way, something in this approach needs to change. But we do not make changes because we are an advisory body (Interviews, K_A2 (R)).

Although it stands to bear in mind that it is common behaviour amongst institutions never to declare resources as ‘sufficient’, lest the excess be redistributed out of the institutional sphere of control (Stearns & Zywicki, 2009), this does not detract from the fact that many Ukrainian institutions lacked adequate resources. Although this research was not able to focus on the details of resourcing sufficiency, many interview respondents commented on the general lack of funding available for SME-orientated programmes. The primary hard data around a failure to meet resourcing needs was found in the aforementioned ‘one stop shops’. The fact that many respondents considered them to be a failure, acknowledging a lack of functionality immediately following their creation, may have represented a resourcing failure. It would seem that the one stop shops were created on paper but not allocated sufficient resources to accomplish their objectives.

The second element of the criterion, that resources reach their intended destination ‘untapped’ explicitly arose in several interviews. This issue dealt more with international funding to NGOs, and the common practice of transactional actors ‘taking a cut’ of funds, or simply misusing them altogether. Respondents who spoke to the problem suggested that international donors be more selective in administering grants, indicating that offloading the donation was oftentimes more of a priority than ensuring it went to a legitimate organisation. Towards this end some respondents proposed a formal system of legitimacy verification be introduced, whereby international donors would be required to check the following criteria for any potential funding recipients:

- The organisation is at least three years old;
- The organisation can provide a comprehensive written strategy and plan;

- NGOs in the same sector are familiar with the organisation;
- The organisation is not supported by the government (Interviews, D_B1, D_B2, D_B4 (R)).

Specification around an organisation's age would be intended to prevent new NGOs from being created in anticipation of available funding. The ability to provide a written organisational strategy would demonstrate that planning processes had been thought out. In this regard, respondents specified that radical strategies were more likely to be legitimate than others, as 'run of the mill' plans were more indicative of having been created for the sole purpose of qualifying an NGO to receive funds. The remaining specifications, that other NGOs be aware of the potential grant recipient and that the government not be directly involved, stemmed primarily from common sense. The latter was reflective of what was increasingly viewed as a semi-autocratic environment during the Yanukovych administration.

Finally, an interesting theme that arose from the data included the suggestion that the notion of resources be considered more widely, in order to better account for individuals.

People are a resource, dynamic people. In all these organisations there are people who are engaged in a proactive, vital role in the region. I believe that in these organisations there are people who can really influence the processes (Interviews, O_B1 (R)).

This idea linked back to the earlier discussion on leadership, including the value of having strong policy advocates at influential levels of the implementation process. The topic surfaces again during this thesis' concluding analysis, emphasising just how much of a difference a strong leader can make.

For both the introductory and reform eras, measuring the level of resources during the reforms proved quite difficult. The aforementioned provision of an updated website was at least an indication, that the reform programme had sufficient resources to accomplish its goals in the electronic sphere. However, the dataset did not contain adequate material to make conjectures around resource availability beyond the website. However, the frequent respondent commentary around resource scarcity led this research to conclude that the single tax policy did not meet the 'available resources' criterion during either era.

5.5.8 External events

(8) Externally generated and intervening circumstances are minimal.

Finally, the single tax met criterion around 'external events' during the introductory era, as no significant happenings outside of the policy system intervened to such a degree that they derailed the implementation process. In fact, the primary macro-level occurrence mentioned in the dataset, the currency devaluation of 1998, actually worked in the policy's favour, by acting as an impetus towards creating the single tax.

During the single tax reform era, the primary 'external event' was the continuing international financial crisis. In some ways the crisis worked in favour of the reforms, as it provided an end point to a lucrative era and justified the reforms, which may have been difficult to enact previous to the crisis. However, it also worked against the policy, as the tax reforms came at a time when Ukrainian SMEs were already suffering the effects of the wider financial crisis. This included trickle-down effects from the financial woes circulating throughout the EU, altering the EU's interest (and ability) to financially support development efforts in the Eastern Partnership nations. Small firms in Ukraine that might have once been beneficiaries of wider, international aid projects began to feel unsupported, sentiments which snowballed into an 'anti-reform' mentality. The end result was that many SMEs felt that the government was purposefully trying to drive them out of business, so firms did very little by way of adhering to the reforms. Additional 'external events' around the 2013 Euromaidan and subsequent change in government (2014) also contributed to the

policy's implementation failure, as shift in policy direction during the temporary Yatseniuk government,⁵² meant that the previous administration's goals were no longer on the agenda. For all these reasons, 'external events' appear to have been a significant obstacle during tax reform implementation.

To recap, during its introductory era, the single tax met the following criteria: 'cause and effect', 'key support', 'small number of players', 'communication and coordination', and 'external events'. It did not meet criteria around 'clear authority', 'mutual understanding and commitment', or 'available resources'. Thus, during the introductory era the single tax met five out of eight criteria, which (at the designated success rate of no less than 50%) qualified as successful implementation. This position was supported by the high degree of approval rating amongst key respondents for the single tax's original introduction, as well as by the official statistics around increased numbers of SMEs following its creation (Держстат України, 2014a).

The story during the single tax's reform was considerably different. When measured against the theoretical criteria, only three of the criteria were met: 'cause and effect', 'key support', and 'small number of players. During the reform era, single tax implementation did not meet the following criteria: 'clear authority', 'mutual understanding and commitment', 'communication and coordination', 'available resources', or 'external events. Thus that the single tax reforms only met three out five criteria, which (at the designated success rate of no less than 50%) would be considered implementation failure. This position was supported by the high degree of dissatisfaction with the government at the time, which led to a regime overthrow only one year after the fieldwork for this research. It is further supported by the reduction in the number of registered SMEs, possibly considered a reduction in economic growth (Carree & Thurik, 2010) (Frederick & Monsen, 2011), following the introduction of the single tax reforms (Держстат України, 2014b).

5.6 Analysis

There is little doubt that the creation of the single tax provided a much needed impetus for the creation of new SMEs, as well as motivation for firms to report income more openly. Kuchma's Decree was introduced into the chaotic environment of the late 1990s, when both the currency devaluation of 1998 and the increasingly consolidated power of new oligarch clans had created an atmosphere of lawlessness (external events). The introduction of the single tax was a first step towards reigning in this disorder, as well as reclaiming some of the shadow economy for as profit generated for the real economy. The basis for the policy was sound, as similar approaches had been introduced in other parts of the world as a method of simplifying tax reporting (and in some cases supporting SME sectors) (Dallago, 2011; Evans & Aligica, 2008; Saavedra, 2007). However, the single tax was generally viewed as a temporary measure, a provisional policy to be phased out at the earliest possible opportunity lest businesses become dependent on the low tax rates. In the Ukrainian case, the exceedingly long stretch of relatively unreformed single tax policy reinforced SME dependency on the scheme.

By 2008, when the simplified tax policy was already a decade old, the flat tax payments had still not been increased to reflect improved economic conditions, natural inflation or changing currency values. Therefore, the decision to increase tax rates and bring the social contribution payment out from under the single tax was economically sound. The process should arguably have been activated much earlier but the lucrative economic times, just prior to the international financial crisis of 2008, allowed a certain 'blindness' to the need for change. Thus, the

⁵² As this thesis ends its timeline with the presidential election in May 2014, it does not comment around policy goals under the Poroshenko administration.

‘external events’ of the 2008 crisis worked in favour of reform implementation, in the sense that they provided an additional impetus to introduce systemic changes.

When changes did come, however, their sharp introduction and lack of stakeholder consultation resulted in broad discontent with the tax reforms. Contrary to academic recommendations around ‘soft policy coordination’ (Noutcheva & Emerson, 2007), the Yanukovych administration introduced sharp reforms in quick order. Perhaps if these processes had been navigated differently, either by introducing the changes more gradually or involving the SME sector more meaningfully in discussions on reform, the alterations to the single tax system would have been better received. In this manner they could potentially have met the implementation criteria, and the single tax policy could have been successfully implemented across both its introductory and reform eras.

Instead, the situation deteriorated during the Yanukovych presidency. Despite the fact that the tax reforms brought the single tax into better alignment with the ‘cause and effect’ criterion, corresponding improvements in implementation effectiveness did not follow. A 2011 report by the Institute of Economic Reporting (IER) confirmed this explicitly through a series of recommendations around the continued implementation gap (Betliy et al., 2011). The report highlighted how reformed tax legislation specified agencies responsible for actualising the programme, but contained little specific information around measuring targets or ensuring compliance. Furthermore, the vague wording around policy actualisation left plenty of room for interpretation. The implementation gap thus remained quite large, a fact which was compounded by the lack of legal mechanisms for guiding implementation. Furthermore, the policy did not include either follow-up reporting or independent monitoring agencies, both of which scholars have recognised as critical step of the implementation process (Dimitrakopoulos & Richardson, 2001; Maggetti, 2009). In the case of the Single Tax, and throughout Ukraine’s government structure, policy reporting had yet to become the norm, resulting in scant follow-up data from which to make implementation adjustments.

However, the continued push towards electronic tax reporting, including the introduction of the ‘one stop shop’, was a progressive step towards improved implementation efficiency. By allowing SMEs to file their taxes electronically, the number communications with tax officials was reduced, as was the time spent by both sides (SMEs and government officials) on tax documentation. The establishment of clearer information channels through an updated website potentially improved some implementation efforts around ‘communication and coordination’ (Ministry of Revenues and Duties of Ukraine, 2014). However, the failure to meaningfully engage SME stakeholders in other contexts resulted in the 2010 Tax Maidan, which further calcified the non-governmental sector’s position against government tax actors.

In regards to actor-led processes, it has already been noted that Ukrainian governance models were narrowly constructed, with domestic government actors historically dominating the policy system. However, in alignment with this thesis’ hypothesis, non-governmental actors were increasingly inserting themselves into the process, learning to make their organisations more relevant in the policy process. The most obvious example of this occurred with the Tax Maidan, whose relative success ‘kick-started’ wider concepts of advocacy amongst SME associations. For the first time, SME stakeholders witnessed a change in policy direction (albeit temporary) through their external pressure exerted on the government. In the two years following the Tax Maidan, the idea of grassroots advocacy continued to spread, with additional organisations joining the ranks of those detailed above. During fieldwork in 2012, advocacy strategies were becoming increasingly more sophisticated, coupled with the recognition that SME education around these issues was a critical part of improving stakeholders impact.

As stakeholder representatives, business associations played an especially critical role in distributing tax policy information to their members. As the majority of firm owners did not possess either the initiative or the time to self-educate themselves around the elaborate (and ever-changing) legislation, many relied on their business associations to keep them informed. This practice, common all over the world, proved especially important in a disorganised policy environment such as Ukraine. In the data, those firms belonging to business associations were able to better adjust their business operations to cope with tax reform changes, a reflection of the distinctiveness of entrepreneurs with ‘good judgement’ (Casson & Buckley, 2010).

5.7 Conclusion

The policy implementation activity around the Single Tax consisted of two different stages: introduction and reform. This chapter has measured these respective stages against the AIC theoretical model, in order to determine the degree of adherence to ‘perfect’ implementation norms, with each time period measured as its own policy cycle. During its introductory era, the single tax enjoyed periods when its implementation was more or less successful, sometimes even producing the desired policy outcomes. However, throughout the policy’s reform, the Single Tax was characterised by leftover, Soviet-era bureaucratic inefficiencies and a ‘cluttered’ Ukrainian policy styles, resulting in its unsuccessful implementation. Additionally, the Single Tax did not include effective incentives for open reporting, which allowed many non-transparent practices to establish a foothold. Furthermore, the administrative (bureaucratic) levels of corruption severely impacted the tax collection system, creating accepted societal and cultural practices on the part of both policy targets (SMEs) and implementers (civil servants) that were unacceptable from a legal point of view.

The following chapters examine these additional considerations in more detail, exploring their suitability to be incorporated into a model such as the AIC. By including theoretical factors such as corruption, implementation incentives and policy style norms, this dissertation presents a more accurate model for assessing implementation assessment in a post-Soviet context such as Ukraine.

References Cited

- Acemoglu, D., & Robinson, J. A. (2006). *Economic origins of dictatorship and democracy*. Cambridge ; New York: Cambridge University Press.
- Allison, G. T., & Halperin, M. H. (1972). Bureaucratic Politics: A Paradigm and Some Policy Implications. *World Politics*, 24, 40-79.
- American Chamber of Commerce in Ukraine. (2011). Partnership for successfully competing in the global economy. Kyiv: American Chamber of Commerce Ukraine.
- American Chamber of Commerce in Ukraine. (2012). *American Chamber of Commerce in Ukraine*. Retrieved from <http://www.chamber.ua/> on 6 January 2012.
- Åslund, A. (1994). Lessons of the First Four Years of Systemic Change in Eastern Europe. *Journal of Comparative Economics*, 19(1), 22 - 38.
- Åslund, A., Boone, P., & Simon, J. (2001). Escaping the Under-Reform Trap. *IMF Staff Papers*, 48, 88-108.
- Audretsch, D. B. (2002). The Dynamic Role of Small Firms: Evidence from the U.S. *Small Business Economics*, 18(1-3), 13-40.
- Bardach, E. (1977). *The Implementation Game: What Happens After a Bill Becomes a Law*. Cambridge, Massachussettes; London, England: MIT Press.

- Barrett, S. M. (2004). Implementation Studies: Time for a Revival? Personal Reflections on 20 Years of Implementation Studies. *Public Administration*, 82(2), 249-262.
- Betliy, O., Kuziakiv, O., Giucci, R., & Knuth, A. (2011). Proposals for reforming the SME definition in Ukraine. In T. I. f. E. R. a. P. Consulting (Ed.). Berlin/Kyiv: German Advisory Group.
- Buchanan, J. M., Tullock, G., & Rowley, C. K. (2004). *The calculus of consent: Logical foundations of constitutional democracy*. Indianapolis: Liberty Fund.
- Carree, M. A., & Thurik, A. R. (2010). The Impact of Entrepreneurship on Economic Growth. In Z. J. Acs & D. B. Audretsch (Eds.), *Handbook of Entrepreneurship Research: An Interdisciplinary Survey and Introduction* (Vol. 5): Springer Science and Business Media, LLC.
- Casson, M., & Buckley, P. J. (2010). *Entrepreneurship: Theory, Networks, History*. Cheltenham, Northampton: Edward Elgar.
- Center For International Private Enterprise. (2012). Внешние системы организационного развития и адвокаты. In Center For International Private Enterprise (Ed.), (pp. 2): Центр профессионального обучения.
- Center for International Private Enterprise. (2014). *Center for International Private Enterprise - Eurasia*. Retrieved from <http://www.cipe.org/region/eurasia> on 4 September 2014.
- Chepurensko, A. (2011). Entrepreneurship and SME policies in fragile environments: the example of Russia. In F. Welter & D. Smallbone (Eds.), *Handbook of research on entrepreneurship policies in Central and Eastern Europe*. Cheltenham, U.K: Edward Elgar Publishing Limited.
- Dallago, B. (2011). SME policy and competitiveness in Hungary. *International Journal of Entrepreneurship and Small Business*, 13(3), 271-292.
- Dimitrakopoulos, D., & Richardson, J. J. (2001). Implementing EU Policy *European Union: Power and policy-making* (2nd ed., pp. xvi, 388p.). New York London: Routledge.
- Dimitrova, A., & Buzogány, A. (2014). Post-Accession Policy-Making in Bulgaria and Romania: Can Non-state Actors Use EU Rules to Promote Better Governance? *Journal of Common Market Studies*, 52(1), 139–156.
- Dowden, M., Hopkinson, L., & Trofymova, O. (2012). SME Sector in Ukraine – Eliminating Barriers to Growth: SME sector analysis and recommendations for intervention. In European Union Delegation to Ukraine (Ed.). Kyiv: European Union; EPRD Office for Economic Policy and Regional Development Ltd.; NTU Strategic Development and Consulting.
- Embassy of Ukraine to the United Kingdom of Great Britain and Northern Ireland. (2013). *EBRD supported the initiative of Ministry of Revenue and Duties of Ukraine to improve the business climate*. Retrieved from <http://uk.mfa.gov.ua/en/press-center/news/10288-ebd-supported-the-initiative-of-ministry-of-revenue-and-duties-of-ukraine-to-improve-the-business-climate> on 6 September 2014.
- European Business Association. (2012). *European Business Association*. Retrieved from <http://www.eba.com.ua/> on 2 January 2012.
- Evans, A. J., & Aligica, P. D. (2008). The spread of the flat tax in Eastern Europe: a comparative study. *Eastern European Economics*, 43(3), 49-67.
- Fischer-Smith, R. (2013). The Earthquake Support Subsidy for Christchurch's Small and Medium Enterprises: Perspectives from Business Owners. *Small Enterprise Research*, 20, 40-54.
- Frederick, H., & Monsen, E. (2011). New Zealand's perfect storm of entrepreneurship and economic development. *Small Business Economics*, 37, 187–204.
- Freyburg, T., Lavenex, S., Schimmelfennig, F., Skripka, T., & Wetzel, A. (2009). EU promotion of democratic governance in the neighbourhood. *Journal of European Public Policy*, 16(6), 916-934.
- Giucci, R., Kirchner, R., Betliy, O., & Otten, T. (2010). Reforming the Simplified Taxation for Individual Entrepreneurs in Ukraine *Policy Paper Series [PP/05/2010]*. Berlin/Kyiv: German Advisory Group; Institute for Economic Research and Policy Consulting.
- Goetz, K. H. (2001). Making sense of post-communist central administration: modernization, Europeanization or Latinization? *Journal of European Public Policy*, 8(6), 1032-1051.
- Grabbe, H. (2005). *The EU's transformative power: Europeanization through conditionality in Central and Eastern Europe*. Houndmills, Basingstoke, Hampshire ; New York: Palgrave Macmillan.
- Gray, T. A., & Whiston, W. B. (1999). A Survey of Business in Ukraine - Small and Medium Enterprises Baseline Survey (pp. 217). Kyiv: Management Systems International; Kyiv International Institute of Sociology; State Committee of Ukraine for Entrepreneurship Development; USAID.
- Gunn, L. (1978). Why is Implementation so Difficult? *Management Services in Government*, November.
- Gustafsson, G., & Richardson, J. J. (1979). Concepts of Rationality and the Policy Process. *European Journal of Political Research*, 7, 415-436.

- Hall, P. (1993). Policy paradigms, social learning, and the state: the case of economic policymaking in Britain. *Comparative politics*, 275-296.
- Hellman, J. S., Jones, G., & Kaufmann, D. (2003). Seize the state, seize the day: state capture and influence in transition economies. *Journal of Comparative Economics*, 31(4), 751-773.
- Hill, M., & Hupe, P. (2003). The Multi-layer Problem in Implementation Research. *Public Management Review*, 5(4), 471-490.
- Hjern, B., Hanf, K., & Porter, D. (1978). Local networks of manpower training in the FRG and Sweden. *Interorganizational policy making*, 304-341.
- Hogwood, B. W., & Gunn, L. A. (1984). *Policy Analysis for the Real World*. Oxford [Oxfordshire] ; New York: Oxford University Press.
- Hood, C. C. (1976). *The Limits of Administration*. London; New York; Sydney; Toronto: John Wiley & Sons.
- Institute of Economic Research. (2010). Інститут економічних досліджень та політичних консультацій [The Institute for Economic Research and Policy Consulting]. Retrieved from <http://www.ier.com.ua/> on 2 December 2011.
- International Finance Corporation. (2003). Business Environment in Ukraine. In I. F. Corporation (Ed.): IFC in co-operation with the Ministry of Foreign Affairs of Norway.
- International Finance Corporation. (2007). Business Environment in Ukraine. In I. F. Corporation (Ed.): International Finance Corporation; European Commission.
- International Finance Corporation. (2009). The Costs of Tax Compliance in Ukraine. Kyiv: International Finance Corporation
- Investment Climate Advisory Services - World Bank Group.
- International Renaissance Foundation. (2010). *Open Society - Open Dialogue*. Retrieved from http://www.irf.ua/index.php?option=com_content&view=frontpage&Itemid=1 on 10 August 2010.
- Interviews. (2012). *Policy Implementation in a Transition Economy: Two decades of Small and Medium Enterprise Development in Ukraine*. Interviews conducted with Ukrainian SME key informants (Ruth Fischer-Smith). University of Canterbury.
- Kingdon, J. W. (1995). *Agendas, alternatives, and public policies* (2nd ed.). New York: Longman.
- Lavenex, S. (2008). A Governance Perspective on the European Neighbourhood Policy: Integration Beyond Conditionality?'. *Journal of European Public Policy*, 15(6), 938-955.
- Lyapin, D., Lyapin, K., Stupytsky, O., & Shklyanruk, F. (2002). Ukraine and Russia: SME Development Policy – Analytical Survey (pp. 52). Bizpro Project: Institute of Competitive Society.
- Maggetti, M. (2009). The role of independent regulatory agencies in policy-making: a comparative analysis. *Journal of European Public Policy*, 16(3), 450 - 470.
- Ministry of Revenues and Duties of Ukraine. (2014). Міністерство доходів і зборів України. Retrieved from <http://minrd.gov.ua/> on 23 January 2014.
- Mission of Ukraine to the European Union. (2013). Minister for Revenue and Duties of Ukraine Oleksandr Klymenko visits Brussels to discuss with the European counterparts fight against tax fraud and sign a cooperation agreement for combating illicit traffic in tobacco products. Retrieved from <http://ukraine-eu.mfa.gov.ua/en/press-center/news/12896-minister-for-revenue-and-duties-of-ukraine-oleksandr-klymenko-visits-brussels-to-discuss-with-the-european-counterparts-fight-against-tax-fraud-and-sign-a-cooperation-agreement-for-combating-illicit-traffic-in-tobacco-products> on 6 September 2014.
- Noutcheva, G., & Bechev, D. (2008). The Successful Laggards: Bulgaria and Romania's Accession to the EU. *East European Politics and Societies*, 22(1), 114-144.
- Noutcheva, G., & Emerson, M. (2007). Economic and social development. In K. Weber, M. E. Smith & M. Baun (Eds.), *Governing Europe's Neighbourhood*. Manchester; New York: Manchester University Press.
- O'Toole, J., Laurence J. (2000). Research on Policy Implementation Assessment and Prospects. *Journal of Public Administration Research and Theory*, 10(2), 263-288.
- O'Toole, J., Laurence J. (2009). *The Ties That Bind? Networks, Public Administration, and Political Science*. Paper presented at the American Political Science Association annual meeting, Toronto, Canada.
- O'Toole, L. J., Jr., & Montjoy, R. S. (1984). Interorganizational Policy Implementation: A Theoretical Perspective. *Public Administration Review*, 44(6), 491-503.
- Olson, M. (1971). *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge, Mass.: Harvard University Press.
- Pressman, J., & Wildavsky, A. (1973). *Implementation: How Great Expectations in Washington are Dashed in Oakland*. Berkeley: University of California Press.

- Protsyk, O. (2005). Constitutional Politics and Presidential Power in Kuchma's Ukraine. *Problems of post-communism*, 52(5), 23-31.
- Provan, K. G., & Kenis, P. (2008). Modes of Network Governance: Structure, Management, and Effectiveness. *Journal of Public Administration Research and Theory*, 18, 229-252.
- Saavedra, P. (2007). Fiscal Policy and Economic Growth: Flat Income Tax Reforms Retrieved from http://siteresources.worldbank.org/INTECA/Resources/257896-1182288383968/FiscalPolicy%26EconomicGrowthinECA_Ch8.pdf
- Sabatier, P. A. (1986). Top-down and Bottom-up Approaches to Implementation Research: A Critical Analysis and Suggested Synthesis. *Journal of Public Policy*, 6(1), 21-48.
- Sabatier, P. A. (1999). *Theories of the policy process*. Boulder, Colo.: Westview Press.
- Scharpf, F. W. (1993). *Games in Hierarchies and Networks: Analytical and Empirical Approaches to the Study of Governance Institutions*. Frankfurt; Boulder, Colorado: Campus Verlag; Westview Press.
- Schimmelfennig, F., & Scholtz, H. (2008). EU Democracy Promotion in the European Neighbourhood: Political Conditionality, Economic Development and Transnational Exchange. *European Union Politics*, 9(2), 187 - 215.
- Semikolenova, Y. (1999). *Taxation of small and medium enterprises*. MA, National University of Kiev-Mohyla Academy, Kyiv.
- Slukhai, S. (2009). Inter-location small business tax rate variation in Ukraine: What is behind it? *Review Article - Faculty of Economics, Kyiv*, 49-71.
- Smallbone, D., & Welter, F. (2001). The role of government in SME development in transition economies. *International Small Business Journal*, 19(4), 63(19).
- Stearns, M. L., & Zywicki, T. J. (2009). *Public choice concepts and applications in law*. St. Paul, MN: West.
- Tilly, C. (2007). *Democracy*. New York: Cambridge University Press.
- Turnpenny, J., Radaelli, C. M., Jordan, A., & Jacob, K. (2009). The Policy and Politics of Policy Appraisal: Emerging Trends and New Directions. *Journal of European Public Policy*, 16(4), 640 - 653.
- Weichenrieder, A. J. (2007). Survey On The Taxation Of Small And Medium-Sized Enterprises Draft Report On Responses To The Questionnaire. Frankfurt: Organisation for Economic Cooperation and Development.
- Welter, F., & Smallbone, D. (2011). Entrepreneurship policies in the wider Europe: A thematic perspective. In F. Welter & D. Smallbone (Eds.), *Handbook of research on entrepreneurship policies in Central and Eastern Europe*. Cheltenham, U.K: Edward Elgar Publishing Limited.
- Wildavsky, A. (1979). *Speaking Truth to Power: The Art and Craft of Policy Analysis*. Boston; Toronto: Little, Brown and Company.
- Yacoub, M., & Senchuk, B. (2000). The State of Small Business in Ukraine. In Center for Social Expertise and Forecasting of the Institute of Sociology (Ed.), *The International Finance Corporation Survey of Ukrainian Small Enterprises*: International Finance Corporation in association with Ministry of Foreign Affairs of Norway and USAID.
- Zhelyazkova, A., & Torenvlied, R. (2011). The successful transposition of European provisions by member states: Application to the Framework Equality Directive. *Journal of European Public Policy*, 18(5), 690-708.
- Адміністрація Президента України. (2014). *Структура Адміністрації Президента України*. Retrieved from http://www.president.gov.ua/content/secretariat_structure.html on 16 January 2014.
- Асамблея громадських організацій малого та середнього бізнесу України. (2014). *Асамблея громадських організацій малого та середнього бізнесу України є у Facebook*. Retrieved from <https://uk-ua.facebook.com/asambleya> on 9 April 2014.
- Асоціація платників податків України. (2011). *Всеукраїнський рейтинг «Сумлінні платники податків 2010»*. Київ: Асоціація платників податків України (АППУ).
- Асоціація платників податків України. (2013). *Асоціація платників податків України (АППУ)*. Retrieved from <http://www.appu.org.ua/> on 9 April 2014.
- Асоціація платників податків України Львівській області. (2011). *Асоціація платників податків України (АППУ) Львівській області*. Retrieved from <http://www.appu.lviv.ua/> on 9 April 2014.
- Баландіна, Н. В.-Н. (2012). Світовий досвід корпоративного управління та боротьби з корупцією. Підтримка розвитку сектору малого та середнього бізнесу в Україні. *powerpoint presentation*. Kyiv: Center for International Private Enterprise - Центр міжнародного приватного підприємництва CIPE в Україні.
- Верховна Рада. (2013). *Комітет з питань підприємництва, регуляторної та антимонопольної політики. Комітет Верховної Ради України VII скликання* Retrieved from <http://kompra.rada.gov.ua/kompra/control/uk/index> on 13 January 2013.

- Відродження, М. ф. (2014). *International Renaissance Fund in Ukraine*. Retrieved from <http://www.irf.ua/> on 4 September 2014.
- Всеукраїнська коаліція малого та середнього бізнесу. (2012a). Меморандум про Спільну Діяльність. In В. к. м. т. с. бізнесу (Ed.), (pp. 3). Київ.
- Всеукраїнська коаліція малого та середнього бізнесу. (2012b). Резолюція Всеукраїнська коаліція малого та середнього бізнесу. In В. к. м. т. с. бізнесу (Ed.), (pp. 1). Київ.
- Всеукраїнське об'єднання малого та середнього бізнесу - Фортеця. (2011). Пам'ятка підприємцю при перевірках. Київ: Фортеця.
- Гаценко, А., Богданова, О., & Галаджий, Е. (2013). Екс-министр доходів і зборів Александр Клименко: "Счетов и активов в Европе у меня нет". *Комсомольская правда в Украине*. Retrieved from <http://kp.ua/politics/453361-eks-mynistr-dokhodov-y-sborov-aleksandr-klymenko-schetov-y-aktyvov-v-evrope-u-menia-net>
- Наказ N 827 "Про затвердження Методичних рекомендацій щодо централізованого приймання та комп'ютерної обробки податкової звітності платників податків в ОДПС України" (2008).
- Держстат України. (2007). *Основні показники розвитку малих підприємств 1991-2003*. Retrieved from http://www.ukrstat.gov.ua/operativ/operativ2005/sze/sze_ric/mp/mp_u/2002.htm on 2 September 2014.
- Держстат України. (2011). *Основні показники розвитку малих підприємств 2000-2010*. Retrieved from http://ukrstat.org/uk/operativ/operativ2006/sze/sze_ric/mp/mp_u/2005.htm on 2 September 2014.
- Держстат України. (2014a). *Основні показники розвитку малих підприємств (1991-2003)*. Retrieved from http://www.ukrstat.gov.ua/operativ/operativ2005/sze/sze_ric/mp/mp_u/2002.htm on 13 April 2014.
- Держстат України. (2014b). *Основні структурні показники діяльності суб'єктів господарювання (2010-2012)*. Retrieved from http://www.ukrstat.gov.ua/operativ/operativ2012/fin/osp/osp_u/osp_u.htm on 13 April 2014.
- Єхануров, Ю. (2007). Юрій Єхануров. 2014(10 February). Retrieved from <http://yekhanurov.com/>
- Закон Про внесення змін до Податкового кодексу України та деяких інших законодавчих актів України щодо спрощеної системи оподаткування, обліку та звітності № 4014-VI (2011).
- Закон України Про внесення змін до деяких законодавчих актів України у зв'язку з прийняттям Податкового кодексу України № 2756-VI (2010).
- Закон України Про внесення змін до Податкового кодексу України та деяких інших законодавчих актів України щодо вдосконалення окремих норм Податкового кодексу України № 3609-VI (2011).
- Закон України Про збір та облік єдиного внеску на загальнообов'язкове державне соціальне страхування 2464-VI (2010).
- Закон України Про збір та облік єдиного внеску на загальнообов'язкове державне соціальне страхування № 1675-VI (2009).
- Постанова Про затвердження Порядку визначення класу професійного ризику виробництва за видами економічної діяльності № 237 (2012).
- Кінах, А. (2014). Сайт Анатолія Кінаха. 2014(5 April). Retrieved from <http://www.kinakh.com.ua/biography/>
- Коваль, Л. П. (2012). Зміни у спрощеній системі оподаткування та їх вплив на фінансову безпеку малого підприємництва. *Науковий вісник НЛТУ України*, 22.1(Збірник науково-технічних праць).
- Конфедерація роботодавців України. (2007). *Конфедерація роботодавців України (КРУ)*. Retrieved from <http://www.confedu.org.ua/home.html> on April 9 2014.
- Королевська, Н. (2014). Наталія Королевська. 2014(10 January). Retrieved from <http://www.korolevskaya.openua.net/bio.php>
- Ляпін, Д. В., Дубровський, В. І., Піщуліна, О. М., & Продан, О. П. (2012). *Зелена книга малого бізнесу України [Green Book of Small Business in Ukraine]*. Київ: Інститут власності і свободи (Institute for Power and Freedom); Міжнародний фонд відродження (International Renaissance Fund).
- Ляпін, Д. В., Продан, О. П., Дубровський, В. І., & Піщуліна, О. М. (2012). *Зелена книга малого бізнесу України [Green Book of Small Business in Ukraine]* (Vol. working copy). Київ: Надруковано у Видничо-поліграфічному центрі "Київський університет".
- Ляпіна, К. (2014). *Ксенія Ляпіна*. Retrieved from <http://liapina.kiev.ua/index/biografija/0-4> on 10 April 2014.
- Об'єднання організацій роботодавців України. (2012). *Об'єднання організацій роботодавців України (ООРУ)*. Retrieved from <http://www.ooru.org.ua/> on 9 April 2014.
- Осипова, Н. П. (2013). Синергетичний понятійний інструментарій дослідження проблем середнього класу. *Соціологія - Вісник Національного університету Юридична академія України імені Ярослава Мудрого*, 2(16).

Податковий кодекс України No 2755-VI (2010).

Постанова верховної ради України Про всенародне обговорення проекту Податкового кодексу No 2454-VI (2010).

Постанова Про прийняття за основу проекту Податкового кодексу України No 2353-VI (2010).

Про інформацію Кабінету Міністрів України про стан виконання Постанови Верховної Ради України "Про всенародне обговорення проекту Податкового кодексу України" та визнання такими, що втратили чинність, деяких рішень Верховної Ради України щодо проекту Податкового кодексу України No 2495-VI (2010).

Продан, О. (2012). *Громадський діяч Оксана Продан*. Retrieved from <http://oksanaprodan.com.ua/bio/> on 15 March 2014.

Проект Закону України Податковий кодекс України No 6509 (2010).

Проект Закону України Про внесення змін до Податкового кодексу України (щодо удосконалення деяких норм) No 2513 (2013).

Рада підприємців при Кабінеті Міністрів України. (2011). *Рада підприємців при Кабінеті Міністрів України*. Retrieved from <http://radakmu.org.ua/> on 9 April 2014.

Спілка підприємців малих середніх і приватизованих підприємств України. (2010). *Спілка: Вчора, Сьогодні, Завтра - До 20-річчя від дня заснування*. In Ю. Єхануров (Ed.), *Спілка: Хроніка основних подій*. Київ: Спілка підприємців малих, середніх і приватизованих підприємств України (СПМСППУ).

Спілка підприємців малих середніх і приватизованих підприємств України. (2011). *Спілка Однорумців - Історії успіху*. In Ю. Єхануров (Ed.), *Спілка: Хроніка основних подій*. Київ: Друк ДГВПП.

Спілка підприємців малих, с. і. п. п. У. (2014). *Спілка підприємців малих, середніх і приватизованих підприємств України*. Retrieved from <http://www.spmsspku.kiev.ua/> on 8 April 2014.

Указ Президента України Про спрощену систему оподаткування, обліку та звітності суб'єктів малого підприємництва No 746/99 (1999).

Указ Президента України Про спрощену систему оподаткування, обліку та звітності суб'єктів малого підприємництва № 727/98 (1998).

Український незалежний центр політичних досліджень. (2003). *Координаційно-експертному центру об'єднань підприємців України - 5 років*. Retrieved from <http://www.ucipr.kiev.ua/publications/koordinatciino-ekspertnomu-tcentru-obednan-pidpriemtciv-ukraiini-5-rokiv> on 9 April 2014.

Український союз промисловців і підприємців. (2013). *УСПП підготував законопроект про відстрочення запровад.* Retrieved from <http://www.uspp.org.ua/news/3352.uspp-pidgotuvav-zakonoproekt-pro-vidstrochennya-zaprovadzhennya-podatkovikh-riznic.htm> on 10 February 2014.

Український союз промисловців і підприємців. (2014). *Український союз промисловців та підприємців*. Retrieved from <http://www.uspp.org.ua/3.prezident-uspp.htm> on 15 January 2014.

Федерація роботодавців України. (2010). *Федерація роботодавців України (ФРУ)*. Retrieved from <http://ua.fru.org.ua/> on 9 April 2014.

Фортетця. (2012). *Громадська організація "Всеукраїнське об'єднання підприємців малого та середнього бізнесу "Фортеця"*. Retrieved from <http://fortetsya.org.ua/> on 1 January 2012.

Центр розвитку малого и среднего предпринимательства. (2014). *Центр развития малого и среднего предпринимательства у Торгово-промышленной палатой*. Retrieved from <http://donetskcci.com/o-palate/malyj-biznes.html> on 9 April 2014.

6 State Committee of Ukraine for Regulatory Policy and Entrepreneurship (SCURPE): a policy case study

Of the two case studies in this thesis, the Ukrainian literature and associated documents on the Single Tax was considerably richer than that on SCURPE. While the Single Tax had directly affected nearly every SME in Ukraine, the familiarity level around SCURPE was less consistent. Thus the policy process tracing in this chapter may appear less conclusive than that of Chapter 5, as the supporting information was sparse.

6.1 Policy timeline

When the newly sovereign Verkhovna Rada (VR) of Ukraine met in May 1991 to chart the course of the soon to be independent nation, one of its tasks was to finalise the structure of government institutions (Закон Української Радянської Соціалістичної Республіки "Про перелік міністерств та інші центральні органи державного управління Української РСР", No 10306-XII, 1991). One of the committees created through the process was the State Committee of the Ukrainian Soviet Socialist Republic to Promote Small Business and Entrepreneurship (SCUSSRSBE),⁵³ which was to sit under the Cabinet of Ministers (Постанова Про порядок реалізації Закону УРСР "Про перелік міністерств та інші центральні органи державного управління Української РСР", No 12, 1991). However, the new committee was not able to perform effectively and was disbanded in 1995, and all its duties shifted to the Ministry of the Economy (Указ Президента України "Про реформування системи державної підтримки підприємництва", No 226/95, 1995). A new division created within the Ministry took over all tasks previously ascribed to SCUSSRSBE, which was then liquidated and discontinued. It is interesting to note that of the 19 respondents (13% of sample) who were involved in the SME business sector prior to SCUSSRSBE's liquidation, not one mentioned the presence of any such committee (Interviews, 2012). This lack of awareness of SCUSSRSBE indicates that, at least in regards to SMEs, the committee did not make any significant impact. A series of structured support measures continued after the committee's liquidation (Lyapin, Lyapin, Stupysky, & Shklyanruk, 2002, p. 19), however, similarly to SCUSSRSBE, respondents did not recall any such measures.

By 1997 the situation for small and medium business remained exceedingly challenging (Welter, 1997; Кашуба, 2009), causing President Kuchma's administration to revisit the possibility of establishing a designated committee for entrepreneurship development. A special department was again deemed necessary and, in July of 1997, the committee was recreated under the new name of the State Committee of Ukraine for Regulatory Policy and Entrepreneurship (SCURPE) (Указ Президента України "Про Державний комітет України з питань розвитку підприємництва", No 737/97, 1997).⁵⁴ This era of the committee was to last over a decade and came to be viewed by many as its most successful period. Considering the fact that the earlier manifestation of a similarly structured committee did not register in the memories of any respondents, this research regards SCURPE and its 1997 creation as the introductory era for such a committee.

The original legislation indicated that SCURPE would bear a great deal of responsibility. Amongst the committee's specific tasks were:

⁵³ Державний комітет УРСР по сприянню малим підприємствам і підприємництву. The acronym SCUSSRSBE has been created for the purposes of this research and is not utilised in the literature.

⁵⁴ Державний комітет України з питань регуляторної політики та підприємництва.

- Participation in the formulation and implementation of public policy in for the development and support of entrepreneurship and licencing of entrepreneurial activities;
- Assistance developing a system of consultative and informational support for the development of small enterprise;
- Formation of proposals for the placement of government contracts amongst enterprises of a non-governmental structure, including on a competitive basis;
- Cooperate with international organisations on the question of enterprise promotion and development (Указ Президента України "Про Державний комітет України з питань розвитку підприємництва", No 737/97, 1997, para. 2)

In terms of implementation analysis, the committee's legislative mandate may be considered extremely broad. In addition to the tasks above, SCURPE was also charged with creating training programmes for government agencies working with enterprises, as well as submitting proposals regarding improved financial mechanisms for entrepreneurship development. The realities of incorporating such a wide array of objective into one institution are discussed throughout this chapter.

From the time of its recreation in 1997, SCURPE operated for nearly 12 years. As the changes to the committee's operating structure during this time were minimal, this research does not detail them here. However, when President Yanukovych came to power in 2010 the SCURPE landscape altered considerably. As was common following the election of a new president, civil service personnel were changed as Yanukovych consolidated his power. He appointed new directors of many governmental committees, including SCURPE, which saw Mikhail Brodskiy installed in place of Kuzhel'. However, shortly after this leadership change, in December 2010, the committee was again disestablished. This occurred as part of a larger government restructure, in order to:

Optimise the system of central executive bodies, eliminate duplication of powers by downsizing managerial staff and maintenance costs, [and] improve the effectiveness of government management (Указ Президента України "Про оптимізацію системи центральних органів виконавчої влади", No 1085/2010, 2010).

Following this disestablishment, the exact status of the responsibilities previously ascribed to SCURPE was hard to pin down. It is clear that some of the committee's responsibilities were transferred to the Ministry of Economic Development (Указ Президента України "Про оптимізацію системи центральних органів виконавчої влади", No 1085/2010, 2010). However, at least some of SCURPE's management team continued to be employed according to their previous structure. Presumably they were working on the final stages of liquidating the committee, as well as on the preparation for its eventual recreation. Interview research data clearly captured the uncertainty connected with this time, highlighting the non-transparent nature of SCURPE's liquidation process.

In March 2012, President Yanukovych passed legislation that set up the committee to return, this time under the name of State Service of Ukraine for Regulatory Policy and Entrepreneurship Development (SSURPED) (Закон України "Про розвиток та державну підтримку малого і середнього підприємництва в Україні", No 4168-VI, 2012).⁵⁵ The new service opened officially in July 2012, its action plan bearing an even longer list of mandated tasks (52 in all) than its predecessor SCURPE (Указ Президента України "Деякі питання діяльності Державної служби України з питань регуляторної політики та розвитку підприємництва" та "Положення про Державну службу України з питань регуляторної політики та розвитку підприємництва" No 237/2012, 2012). However, the nature of SSURPED's mandate had shifted slightly, away from the more 'hands on' character of its predecessor. The new Service would focus its activities more towards analysis and regulatory reform, including:

⁵⁵ Державну службу України з питань регуляторної політики та розвитку підприємництва. The acronym SSURPED has been created for the purposes of this research and is not utilised in the literature.

- Preparing and submitting appropriate policy proposals in the areas of business development, government regulatory policy, government licencing policy, permitting system, and the supervision (control) on economic activities;
- Providing methodological support to regulatory agencies regarding economically orientated regulatory policy;
- Analysing government implementation measures regarding economically oriented regulatory policy (Указ Президента України "Деякі питання діяльності Державної служби України з питань регуляторної політики та розвитку підприємництва" та "Положення про Державну службу України з питань регуляторної політики та розвитку підприємництва" No 237/2012, 2012, para. 4)

Several of the points above speak to the fact that SSURPED was intended to play a role in implementation monitoring as well as participating in the drafting of new legislation. At the time of writing (2014) the Service was operative based on the above legislation, as well as its Action Plan (План діяльності на плановий та два бюджетні періоди, що настають за плановим Державної служби України з питань регуляторної політики та розвитку підприємництва No 869, 2012).

6.2 Policy agenda setting

The intention in creating a designated government body for business support was ostensibly to improve the communication between the government and the private sector, with an emphasis on supporting the role of entrepreneurship as part of Ukraine's overall economic development. It is critical to highlight, however, that neither SCURPE nor SSURPED considered small and medium enterprises to as its sole stakeholders. The committee's objectives were always broader than SMEs and included assisting entrepreneurship initiatives at every level of activity. Based on archival resources and its own original interview data, it is quite possible that SCURPE was created primarily in order to provide regulatory assistance to large firms. This interpretation becomes even more convincing when considering that both presidents Kuchma and Yanukovych, each of whom oversaw the committee's creation or recreation, were well-known for their extensive oligarch support networks. It is therefore not inconceivable to imagine that SCURPE and SSURPED's were both created with the core purpose of supporting large Ukrainian firms, with any benefits that came to the SME sector merely related to its existence in the macro-level business environment.

However, policies have a way of manifesting unforeseen effects (Pressman & Wildavsky, 1973), which is perhaps the best way to understand any SME-orientated roles that the body came to play. The leadership of SCURPE's second director, Oleksandra Kuzhel', certainly brought a 'small firm' focus to the committee's work programme. And although this may not have been the original intention, it was seemingly encouraged by President Kuchma (3.C.Варналій, 2001, section 3.1).

A second way that SME-based goals came to be play a distinct part of SCURPE's activities was through international pressure towards economic modernisation. Through technical exchanges and international aid projects, the importance of the small firm as a building block of economic development would undoubtedly have been emphasised (European Bank of Reconstruction and Development, 1997; U.S. Agency for International Development, 2006). There would have been significant pressure on the Ukrainian government to move in the same direction as more modern market economies in terms of SME support measures, aligning business standards more closely to those of international partners. Research data attested to this, with several respondents describing Ukraine's relationship to the European Small Business Act.

We joined this European Charter in 2010 to 2009, that act regarding small businesses, the 'Small Business Act'. It was signed and formulated into 'Ukrainian' [way of thinking]. We started to move in that direction,

we developed a document entitled “One-hundred steps”, what needs to be done to facilitate this sphere or that sphere, take, for example, regulatory policy (Interviews, K_A6 (R)).

In 2009 we signed, with Tymoshenko, the European Charter on Small Business (Interviews, K_A8 (R)).

Finally, as SCURPE evolved from the Kuchma administration to that of Yushchenko, it acquired a different flavour, shifting away from big business support to be more inclusive of small firms (Lyapin et al., 2002). Regardless of the purpose or intent of these changes, the result was that SCURPE began to beget benefits for SMES that had not necessarily been present during the committee’s earlier years.

The intentions regarding SCURPE are more difficult to ascertain during the Yanukovych period. The committee’s liquidation in 2010 was carried out as part of a wider government restructure to ‘optimise central government organs of executive power’ (Указ Президента України "Про оптимізацію системи центральних органів виконавчої влади", No 1085/2010, 2010). In theory the mergers and liquidations contained within the legislation were designed to maximise efficacy and resources. In practice they were most likely part of Yanukovych’s programme to consolidate his power. While this is a common practice, and not only in Ukraine, the level to which Yanukovych conducted his ‘clearing house’ was arguably more severe than it had been with previous presidents (D’Anieri, 2012).

Whether the committee was always intended to be reinstated, or whether it was an afterthought remains open to debate. The fact that the committee was partially operative during fieldwork in 2012, when according to legislation it did not exist, suggests that its reinstatement had been pre-planned prior to its disestablishment. Possibly there were legal obstacles present in the SCURPE legislation that could only be bypassed by dissolving the committee and re-establishing it. Or there may have been that the government underestimated the operational gap that was created through the committee’s dissolution. Most respondents who offered an opinion about the committee’s dissolution felt it to be quite distressing, citing the reduction of support levels as damaging for SMEs.

Derzhkompdpriemnitstva.⁵⁶ Really a lot of programs in L’viv Oblast’ were created through its support. So when they dissolved it in 2009, for us it was such a shock, because it had been the only government body with the power to control local officials. It had power at that level, it was the only protector of business endowed with such authority from the government (Interviews, L_C12 (R)).

This committee was a buffer between the government and business entities, the buffer was removed and business entities are now, well not all, there are non-governmental organisations, they may somehow regulate this, that is admissible, but now...they are only in Kiev (Interviews, D_A5 (R)).

It should be noted that although the majority of respondents felt as those above, a few expressed quite a different outlook, considering SCURPE’s liquidation as a way to cut back on ineffective bureaucrats:

Nothing fatal has happened because from its liquidation. They have simply removed some of the bureaucrats who had made it into their business (Interviews, O_C8 (R)).

Regional patterns may be as much responsible for such differing viewpoints as the functionality of the committee itself. And the fact remains that the majority of respondents felt the committee had been useful during the years it had maintained regional representation.

⁵⁶ Derzhkompdpriemnitstva is Ukrainian short form for SCURPE. The word is composed of partial words from SCURPE’s title: derzh - government (державо); kom – committee (комітет); підприємництва - entrepreneurship

Despite the dismay expressed by many at SCURPE's dissolution, respondents did not feel hopeful for the recreation of the agency under the new title SSURPED.

I cannot say anything about how it will work, it is on a bit of a break just now. In my opinion, this committee does neither harm nor good. It creates a great noise, and then there is nothing there (Interviews, K_A4 (R)).

In some places they [SSURPED] just went without answers, in others they decided themselves how to do it. The question is whether this was correctly done and that is not so clear (Interviews, K_B5 (E)).

During the time when SSURPED was being re-established, the new legislation made mention of an earlier law directed at small business support (Закон України "Про Національну програму сприяння розвитку малого підприємництва в Україні", No 2157-III, 2000). The incorporation of an existing (albeit stalled) programme for SME development within the agency's governing documents was new. Furthermore, in tandem with its reintroduction, the SSURPED website received a complete overhaul. Its new format was considerably more comprehensive than previous versions, including a more user-friendly interface and increased interactive portals for SME stakeholders. This strategy of updating websites (electronic modes of communication) paralleled government actions in the single tax case, indicating that the Yanukovich government recognised the importance of contemporary information channels.

6.3 Key Actors

Just as with the single simplified tax, the primary actors in SCURPE's various lifespans have been government actors. The first head of SCURPE was Yuriy Yekhanurov, as specified in the founding legislation (Указ Президента України "Про Державний комітет України з питань розвитку підприємництва", No 737/97, 1997). In addition to the his contributions outlined in Chapter 5, Yekhanurov also helped found the Department of Entrepreneurship within the Economic Faculty at Kyiv National University. His role as the first committee leader was short-lived and characterised quite neutrally in the data. Respondents mentioned Yekhanurov more for his role as Prime Minister or as founder of the SPMSPPU, than for the time he spent leading SCURPE.

It was the second head of the committee, however, whose leadership was considered by stakeholders as having made the biggest impact towards improving the SME climate in Ukraine. This was Oleksandra Kuzhel', the same actor whose work (detailed in Chapter 5) on the single tax drew high praise from the SME sector. Kuzhel' led SCURPE for five years (1998-2003) (Державний комітет України з питань регуляторної політики та підприємництва, 2010), during which time she solidified her reputation as a champion for the small business. For many respondents, Kuzhel' was the figure responsible for the positive changes to the business environment during the late 1990s and early 2000s.

Before all else, this system encourages small owners, or simply citizens, to develop their own businesses... Of course, Kuzhel, with her energy, her talent and her organisational skills, was likely the most powerful part of this organisation. In the end, it all depends on the leader (Interviews, K_C3 (R)).

The strongest it worked was when Kuzhel was there, then it worked effectively (Interviews, L_A9 (U)).

When it was Kuzel', she certainly drove [SCURPE] well. I treat her with respect, because then when we really appealed to the committee, we received adequate answers (Interviews, K_C17 (R)).

Occasionally, respondents only recognised Kuzhel' as one of the personalities behind SCURPE's early leadership with prompting:

See that's interesting because see Kuzhel', see how quickly we forget, she was pretty damn good. And maybe that has connections to the environment of that period. Maybe she should get more credit (Interviews, K_B1 (E)).

Whereas others held a respect for Kuzhel' that was closer to admiration:

When Aleksandra Kuzhel' issued her decree, her patent, she made out lives possible...I would like to speak with this person, to have a conversation, to tell her thank you so much, because she really get rid the regulating bodies of their corrupt schemes (Interviews, D_C12 (R)).

Such sentiments, verging on veneration, are not particularly unusual in Ukrainian political culture, which is well known for its brand of 'personality' politics (Melnykovska, Schweickert, & Kostiuchenko, 2011). And while Kuzhel' undoubtedly played a key role advocating on behalf of SMEs, securing resources for their development and incorporating their input, the reverential position in which she is held speaks of a phenomenon not limited to the outcome of her contributions. There seems to have been another factor at play, namely an overwhelmingly positive view of Kuzhel's era by comparison to respondents' discontentment with the present era (2012). In short, positive perceptions of Kuzhel's time at the helm of SCURPE displayed common characteristics of nostalgia, with the phenomenon of selective memory contributing to Kuzhel's role as SME 'saviour'. This finding resurfaces in Chapter 7 where it is discussed further.

Kuzhel' returned to the position of head of the committee under President Yushchenko from January 2009 to March 2010, but this time period was mentioned much less frequently in interviews. SCURPE remained more or less active during Kuzhel's second term as leader, as several regional representatives of the committee from this time attested to during interviews. Kuzhel' and Yekhanurov were the only directors whose mention was consistently in a positive or neutral context.

The other directors of SCURPE who registered in the data, were discussed in a negative context. One such actor was Inna Bohoslovs'ka, who led the committee from May 2003 - January 2004 (Богословська, 2014). The few respondents who mentioned Bohoslovs'ka viewed her negatively, considering her time as leader to be largely 'empty space'.

There was this Bohoslov'ska, merely empty sound. No kind of help for anyone. At all. That is to say, zero (Interviews, D_C4 (R)).

Outside of SCURPE Bohoslovska has been recently known for her public criticism of Yanukovych following the violence of the Euromaidan protests. Her criticism was especially noteworthy because Bohoslovska had once been a member of Party of Regions. Beyond this point of interest, Bohoslovska's role as a key actor was minimal in the context of this thesis.

Bohoslovska's leadership was viewed as ineffective but the leadership of SCURPE's most recent (and current) director, Mikhail Brodskiy, was seen to be overtly harmful for SMEs. Respondents viewed his appointment as head of SCURPE, effective from March 2010, as having brought about the most negative changes to the committee.

When Brodskiy came in [as director], he took this already emasculated institution and superimposed his absolutely intolerable ambition. He just didn't know what to do with it, that is to say, he wanted to be at least a prime minister and instead they appointed him head of some committee. He is a man bursting with self-importance, all the time promoting himself, but deep down he really just does not like nor understand small business. His dislike and misunderstanding of it always sticks out (Interviews, K_A9 (R)).

This Brodsky is a man who simply, simply talks a lot, is thoroughly engaged in self-promotion. He has no serious levers of influence (Interviews, L_A4 (R)).

One could claim that respondents saw Brodskiy's attitude as the antithesis to Kuzhel's: where she actively supported the principles of small business, SME stakeholders perceived Brodskiy as deeply uninterested in their sector.

It was the last straw when Brodskiy, who was meant to act as an advocate of entrepreneurs, began to act as their prosecuting attorney. This somewhat resembles the lawyers in Stalin's time. During the Soviet era, the KGB produced the lawyers for the dissidents, in order to sink them. In this same manner is Brodskiy appointed (Interviews, K_B8 (R)).

When Mr. Brodskiy came in [as director], I left him a package of laws - ten of them, nine already adopted. But he couldn't write even one, because for this you need to love the people, you need to get together with them, listen to their problems, closely read every article with them (Interviews, K_A8 (R)).

Such comments regarding Brodskiy's leadership, especially when taken in combination with the drastically different perceptions of Kuzhel's, hearken to a larger theme of governance. Respondents clearly associated the quality of SCURPE's interaction with SMEs with the committee's leadership. The conclusion in this vein was that the effectiveness level of SCURPE was heavily dependent on who was at the helm.

Table 6.1 presents the frequency with which the four leaders detailed here appeared in the data.

Table 6.1 – SCURPE leadership

Key Actor	Mention within interviews
Kuzhel'	29%
Brodskiy	21%
Yekhanurov	4%
Bohoslovs'ka	4%

The above figures were not limited to the context of SCURPE but included all instances of mention within the interview data. However, even taking into account her mention in non-SCURPE contexts, the disparity between Kuzhel' and the others demonstrates just how critical an actor she has been for the SME sector. It is also important to note that of all the comments around Brodskiy, only a handful were anything other than directly negative.

The fact that several of the actors from SCURPE were also key players in the single tax case, highlights the interrelatedness of the two cases. There is a further uniqueness to this finding, as those actors appearing in both cases all hearkened from the period of Kuchma's presidency. This speaks volumes about the way Ukrainian SMEs perceived Kuchma's era to be better for the business environment than other presidential administrations. The broader interview data presented in Chapter 7 confirms this finding.

Additional actors are not discussed in depth for the SCURPE case as they were for the single tax. This is in part because many of them were, again, the same. It is further due to the fact that the archival records surrounding SCURPE either did not exist or were not readily accessible.

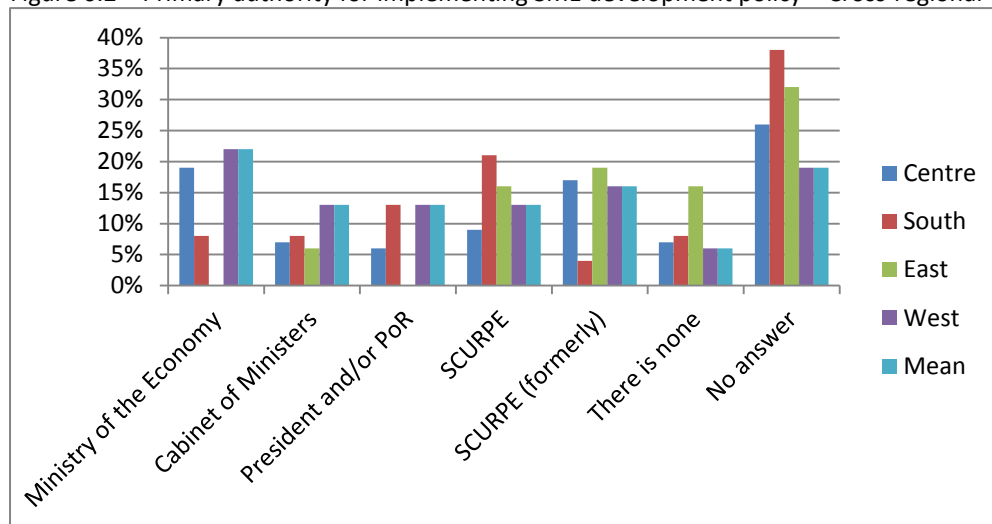
6.4 Implementation mechanisms

As described above, the extremely broad nature of SCURPE's mandate would have made implementation difficult to navigate. The legislation behind the committee (during both eras detailed here), presented broad strokes goals, without laying out the specifics around implementation procedures. To some degree, this was an instance of Wildavsky's 'policy as its own cause' (Wildavsky, 1979), as implementation problems originated from the initial policy document. It is also a case, however, of attempting to tackle too many problems at a time. Not only is this approach poorly crafted but it also sits in contradiction to the notion of policy embeddedness (Kingdon, 1995), which

emphasises that systems are slow to change. In order to have any chance of enacting true change, an institution must usually focus its attention on only a few goals. Attempts to address too many challenges at once generally fail to fully rectify any. This is even more likely to be the case where resources are scarce, a factor that, according to the data, played an additional role in the committee's ability to cover its mandate.

The two graphs below provide a visual representation for the data around the primary authority responsible for SME development policies. Within the semi-structured interviews, respondents were asked who they regarded as the primary authority for implementation SME development programmes. Their answers are displayed according to regional split (Figure 6.2), followed by a split across demographic categories (Figure 6.3).

Figure 6.2 – Primary authority for implementing SME development policy – Cross-regional



In some categories the cumulative percentages equalled more than 100%. This is because many respondents listed more than one institution in their answer. When this occurred, all answers given were factored into the results. Additionally, only those agencies and institutions which registered more than 5% mention were included in these charts. Amongst those that were mentioned regularly by 1-2 respondents across several regions and/or demographics but did not meet this 5% cut off were: the Prime Minister,⁵⁷ the VR, the VR Committee for Regulatory Policy Entrepreneurship, the Council of Entrepreneurs under the Cabinet of Ministers, UFSE/RFSE. Lastly, SCURPE is represented in two categories, as respondents distinguished between the contemporary version of this institution and the historical one. If the two categories were combined to represent SCURPE as the primary authority for development policy implementation at any point in time, the data would then distinguish this committee from all the rest as the clear authority in this sphere. This is represented below, comparing inclusive SCURPE data with the next most commonly identified institution, the Ministry of the Economy.

Figure 6.3 – Primary authority for implementing SME development policy – Cross-demographical

⁵⁷ Comments around the prime minister were taken to be those that mentioned either the position of prime minister or Mikhail Azarov, who was prime minister at the time of research (2012).

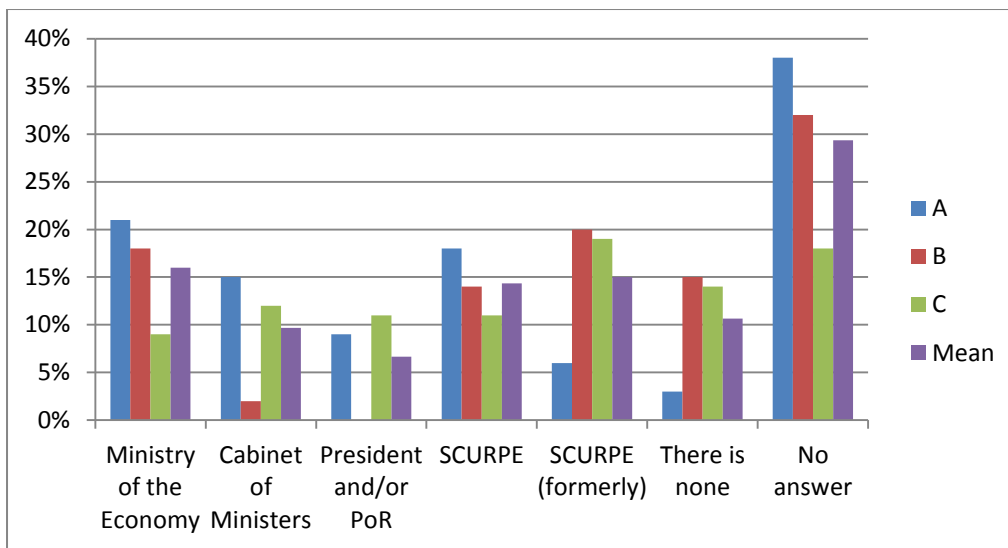
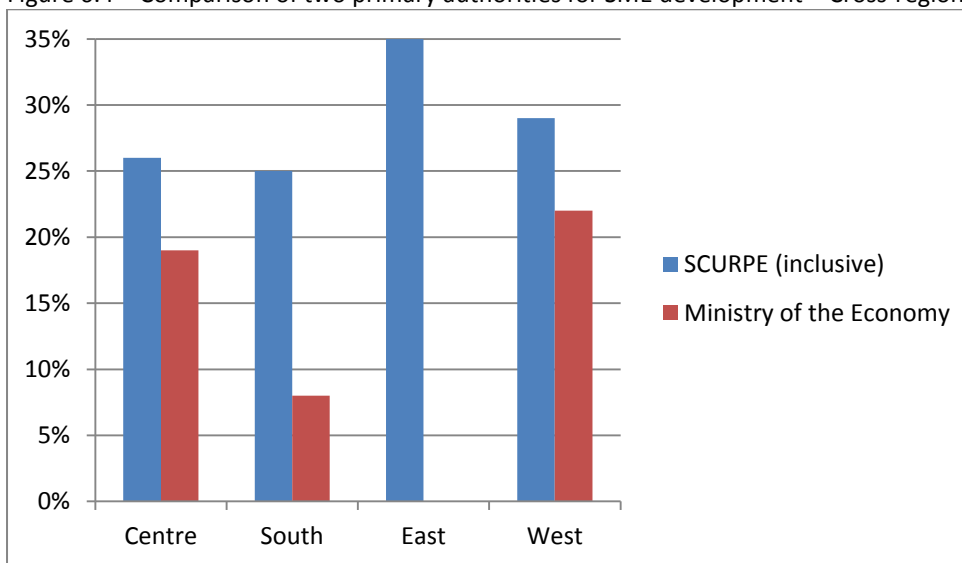
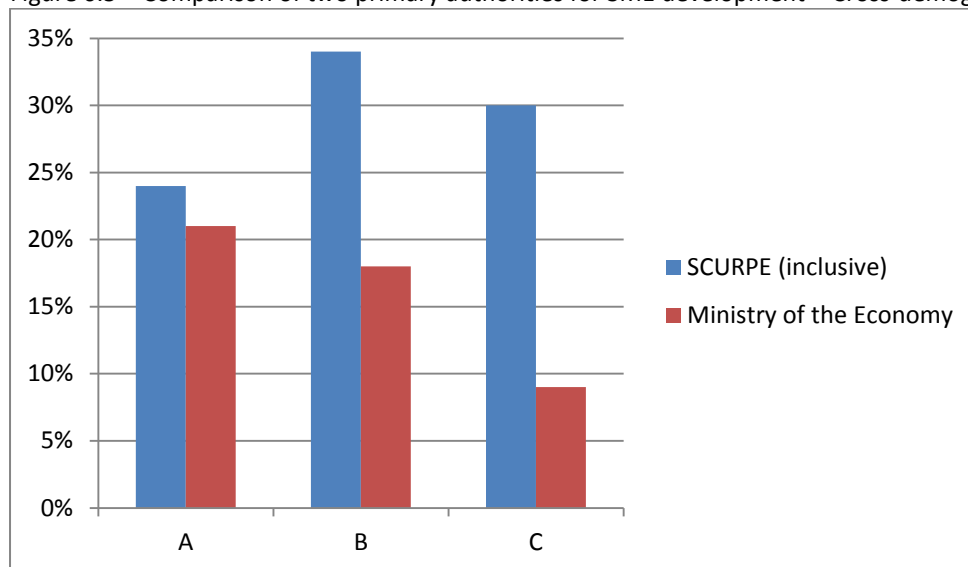


Figure 6.4 – Comparison of two primary authorities for SME development – Cross-regional



It is interesting to note several trends, present in Figures 6.4 and 6.5. Firstly, there was a clear regional differentiation between the two primary authorities. In eastern Ukraine, the Ministry of Economy did not register amongst respondents as a relevant agency for SME development policy, while SCURPE received the highest relevancy rating of all the regions. Southern Ukraine followed this pattern, although not to same degree as in the East. In western Ukraine, by comparison, the Ministry of the Economy and SCURPE received nearly identical relevancy ratings. Central Ukraine fell closer to the West, producing a more even split between the two bodies' level of authority. Demographically, Figure 6.5 demonstrates a descending rating for the Ministry of the Economy, with Demographic A considering this department most relevant whereas respondents from Demographic C were considerably less impressed with the Ministry's performance. This is especially telling when considering that Demographic A represented colleagues of the Ministry of the Economy, while Demographic C would have been comprised of those who were largely on the receiving end of the Ministry's work programme. Respondents from Demographic B, those who would have been both (international) colleagues and recipients, fittingly ranked the Ministry of the Economy in between where those from the other two demographics placed its importance.

Figure 6.5 – Comparison of two primary authorities for SME development – Cross-demographical



It is of note that the trends across the entire sample considered SCURPE to be the most significant authority for SME development programmes. However, many comments to this end were tempered with qualifiers, with respondents emphasising that SCURPE should be the most relevant authority but that it did not always live up to that expectation. Furthermore, despite the fact that the committee ranked high amongst many respondents, others saw SCURPE as powerless.

It all depends on who heads this committee. I would say that, institutionally, this committee has been impotent for a long time. That is, institutionally, it really has no serious power (Interviews, K_A9 (R)).

Previously, there was such a body, Derzhkompdpriemnitstva. They [SMEs] had regional representatives and through whom they could pursue their policies and receive information from the regions. Now they [representatives] are no longer present in the region. I think they had become less effective (Interviews, L_B2 (U)).

For the past two years, no active work has been happening. How can the service [SSURPED] be effective within the conditions of today's governance structure? The service cannot be effective. Because this service has no influence over anything (Interviews, K_B7 (R)).

It was thus apparent, that despite SCURPE ranking higher than any other government authority, it was not performing to the standard that SME stakeholders would have desired.

The reestablishment of the institution as SSURPED introduced new modes of implementation. One of these was a comprehensive action plan, which included four strategic goals:

- 1) Creating a favourable environment for economic activities in Ukraine
- 2) Improved procedures for entry into the business by streamlining regulation in the permitting and licensing systems
- 3) Increasing the level of activity and potential for starting a business amongst the wider population
- 4) Creating conditions for government financial support for small and medium businesses (План діяльності на плановий та два бюджетні періоди, що настають за плановим Державної служби України з питань регуляторної політики та розвитку підприємництва No 869, 2012).

It should be noted that not all four goals were explicitly related to SMEs. As described earlier, the agency's area of responsibility had never been limited to small and medium firms. Of the four goals, the first two may be considered macro-level approaches, as their application would affect the broader business environment. The third and fourth goals represent micro-level development measures with a specific focus on SMEs.

Each strategic goal had implementation mechanisms associated with it. For example, goal number two would be accomplished by:

- Reducing administrative barriers to investors
- Improving the quality of work permit centres to effectively service businesses
- Streamlining licensing procedures (2012).

It could easily be argued that these specific implementation mechanisms are much too broad to be actioned. Within an action plan, one would expect to see laid out the steps associated with each goal or, at the very least, a suggestion of what agency will bear responsibility for fulfilling the mechanism.

The action plan document also specified allocated budgets from 2012-2015, which are the most telling piece of evidence in terms of ‘under-implementation’. In 2012, in order to achieve implementation for all four strategic goals, SSURPED operated with a stated budget of 228,226,000 UAH (21,409,568 EUR). The budget was set to increase incrementally, up to 450,024,000 UAH (42,216,135 EUR) by 2015, which was still quite a small amount considering all the elements it was meant to cover.

After the agency’s reestablishment, implementation considerations in terms of communications with SME stakeholders and policy targets seemed to be more comprehensive with SSURPED than with its predecessor. This was largely due to an improved web presence, which is further discussed in the following section under the relevant criterion.

6.5 Reactions of key informants: Assessing implementation criteria

This section examines each of the criteria from the Amalgamated Implementation Criteria (AIC). To do so it draws firstly on interview data, as well as sources from the literature. As the archival sources for the SCURPE case were not as consistently accessible as for the single tax case, this section relies more heavily on the research data.

6.5.1 Cause and effect

(1) Policy to be implemented is based on a valid theory of cause and effect.

When SCURPE was created in 1997, Ukraine had already been undergoing a transition for five years. International reports from the time recognised that a fully-fledged market economy in Ukraine was still some way off, with weak state institutions identified as a key problem (European Bank of Reconstruction and Development, 1997). In their ineffective state, government institutions were not able to stabilise the business environment, a state of affairs that was hurting small scale enterprises more than most (Welter, 1997). It is entirely possible that SCURPE was created with these concerns in mind, as a designated agency to address such continuing obstacles at the micro-level of policy making. This would have constituted an SME-targeted action (Cameron & Massey, 1999), complementing the macro-level policies (such as single tax) that were already taking place. The fact that SCURPE contributed towards increased stability in the business environment, suggests that this may have been so.

Kuzhel’ objectively tried to somehow improve conditions for small and medium businesses. She understood that strict control of the small and medium business environment is ineffective, as costs obstruct potential revenues. She was in favour of a declared management style that reduced the level of [government] control and pressure. It was her personal position that she stood for and pushed in the committee (Interviews, K_B6 (E)).

The fact that SCURPE’s mandate included public policy formation and implementation (Указ Президента України "Про Державний комітет України з питань розвитку підприємництва", No 737/97, 1997), further indicates that

cause and effect was a consideration in its establishment. A precedent for this mode of supporting SMEs has been set by neighbouring countries Poland (Polska Agencja Rozwoju Przedsiębiorczości, 2014b), Bulgaria (Bulgarian Development Agency, 2014), and, to some degree, the wider EU (European Commission, 2014). Despite the fact that more research is needed before a definite causal link can be established between such entrepreneurship support initiatives and SME growth, SCURPE nonetheless paralleled similar policies in other nations.

Although respondents' comments around SCURPE's activity were often connected to the single tax and Kuzhel's leadership, the wide recognition of the committee's activity confirmed that it was a useful agency for many SMEs. Taking all the above into account, this case was deemed to have met the criterion for 'cause and effect', at least during SCURPE's introductory era.

During SCURPE's later years, including the time period in which it was disestablished and recreated as SSURPED, its role was to be more focused on regulatory monitoring and analysis. It was particularly focused on streamlining regulation, to reduce duplications and contradictions towards easing the burden on SMEs (Указ Президента України "Деякі питання діяльності Державної служби України з питань регуляторної політики та розвитку підприємництва" та "Положення про Державну службу України з питань регуляторної політики та розвитку підприємництва" No 237/2012, 2012). Based on Ukraine's continually abysmal ranking in the Doing Business reports (IFC), the agency's re-establishment demonstrated a recognition (based on current information) of what was needed for business development. Amongst respondents was a high-level staffer at SSURPED, who explained that the agency had:

Succeeded in restoring a central authority with executive power, in order to continue engaging to improve and develop conditions, in which the businesses of our country operates (Interviews, K_A6 (R)).

The Ukrainian literature of the time (Васильців, Волошин, & Гуменюк, 2009; Кашуба, 2010), clearly indicates a need for improved SME development assistance. Thus, whether or not SSURPED was created expressly to fulfil this identified need, its reestablishment occurred at a time when its functions were wanting. Therefore, during its reformed era, the agency was deemed to have met the 'cause and effect' criterion.

6.5.2 Active support

(2) The policy has active support from key constituents and legislators.

The most obvious example of active support amongst legislators in the SCURPE case was Kuzhel', whose position as a member of parliament gave SMEs a 'champion' at a government level. The actor Yekhanurov was also cited as a support figure, though not nearly to the same degree as Kuzhel'. Despite support from isolated individuals, however, most respondents spoke of a lack of any coordinated vision within the government for SME development. Such comments were not restricted to the SCURPE case, but extended further to include general long-term government strategy.

The government needs a more long term plan for small and medium businesses (Interviews, O_A5 (R)).

In Ukraine there is no model of for socio-economic development that we can follow and in which are tangible mechanisms [for improvement] (Interviews, L_B9 (U)).

Goskompredprinimatel'stva engaged,⁵⁸ seemingly to help businesses, but I don't know how it could have helped, if there was no single concept of development, that is, there was no single concept of how it could

⁵⁸ Goskompredprinimatel'stva is Russian short form for SCURPE. The word is composed of partial words from SCURPE's title: gos - government (государство); kom – committee (комитет); предпринимательство – entrepreneurship.

help. Bureaucrats and civil servants were involved, who simply bureaucratised processes and who provided assistance of which no one saw any action (Interviews, K_A2).

Within this line of reasoning, it was suggested that, although SCURPE had government support it was not intended for SMEs:

The overwhelming mentality is to keep large enterprises afloat, what is good for large enterprise is good for Ukraine. This is the kind of ideology that exists now (Interviews, K_C9 (R)). Some respondents understood the issue regionally, explaining that their particular regions did possess

economic development strategies, but not extending this state of affairs to the rest of the country.

You can say that the government of Donetsk has a strategic path for its development, it prefers to develop long-term programmes and to follow them through. As for other oblasts, I do not know (Interviews, D_B8).

Other regions were described as having no understanding of what comprised a strategy for SME development:

The local government [Crimea] has gotten now a very fancy strategy, up to 2016. Paid a lot of money to foreign experts and they said that in 2016 that Crimea will be most prosperous region. But I was listening to all of this mess on the radio and this team was presenting the strategy and I just caught them out, ok guys, what is in your strategy for small and medium businesses, what is the place, how will you develop that? And they said, oops, there is no place for small and medium businesses, no strategy (Interviews, K_B14).

Despite the key support amongst solitary individuals, the overwhelming consensus amongst respondents was that the government needed to do much more to support SMEs. This stakeholder (societal) discontent may be understood as an example of the claim that:

Policymakers are likely to be in a stronger position to resist pressure from societal interests when they are armed with a coherent policy paradigm (Hall, 1993, p. 290).

It thus followed that when government SME strategy was not coherent, stakeholder frustration followed. This research therefore considers the criterion 'key support' not to have been met in the SCURPE/SSURPED case.

6.5.3 Clear authority

(3) A clear authority is behind the policy's implementation, correctly ordering tasks and managing implementation compliance.

During SCURPE's introductory era, Kuzhel' was seen as the authority figure behind the committee. Throughout interviews, with rare exception, she is the only head of SCURPE whom respondents consistently considered effective. Although it is too simplified to simply to call Kuzhel' a strong leader and Brodskiy a weak one, it is telling how respondents accepted Kuzhel's position as director, whereas for many, Brodskiy's authority was illegitimate.

We have such a saying as "wedding general". A wedding general is a man who is more or less there but has no influence over anything. That is to say he is handsome, has been put in a seat and invited, given the honour, all nicely set up but of no real use whatsoever. That is about the same situation with today's [newly] created service for entrepreneurship (SSURPED). It is there and the authorities may say that it exists, but its business is neither hot nor cold (Interviews, K_C1 (R)).

This relates back to comments from Chapter 3 on the nature of authority being intricately connected to a subordinate's acceptance of the authority figure as legitimate (Dunsire, 1978). Beyond the level of respect accorded to the institution's leader, however, it is worthwhile to consider what constitutes actual authority, in the executive sense.

In order to function as an effective authority, the group or person in consideration must possess actual power. This means both the mandate and the mechanisms to actualise commands. Although achieving ‘perfect control’ could hardly occur within real-world dynamics (Hood, 1976), a power-wielding authority must be able to enact and follow through on its aims. The difficulty that SCURPE/SSURPED has had in turning mandates into outcomes may well be connected to the intricate nature of policy sub-systems (Sabatier, 1999). With the institution’s pattern of disestablishment and reestablishment, it is unsurprising that the policy web became criss-crossed across government departments. Upon liquidation, the committee’s responsibilities were passed to another agency, usually the Ministry of Economy.

They liquidated this agency [SCURPE] and the idea was to put part of this agency into the Ministry of Economy and to create a separate department which could deal with regulatory issues and in fact such department was created, because some of the people from the, majority of them were moved to Ministry, although they still stayed in the same building. Part of the agency was moved to the Ministry of Justice, I mean this registration part, because as we know it was not really the 100% SME agency, because it was somehow responsible for registration, regulatory issues and there was one department that dealt with SME issues. And this small department somehow stayed in the structure which was at that moment under liquidation. .. so for some time there was kind of the ping pong between Ministry of Economy and this SCURPE, and the liquidation process (Interviews, K_B22 (E)).

The decree on liquidation was signed in 2010, a presidential decree, and all functions - licensing, the permitting system, the development of entrepreneurship - all of these functions were transferred to the Ministry of Economic Development (Interviews, K_A6 (R)).

Interest-group theory posits that institutions will generally seek to maximise their span of control (Buchanan, Tullock, & Rowley, 2004). By shifting management of the array of tasks assigned to SCURPE back and forth between the institution and other executive bodies, a situation was born whereby several additional departments, namely the Ministry of Economy, had a stake in SCURPE’s tasks. The fact that this happened not once but twice, firstly when the committee was liquidated in 1995 then again when it was disestablished in 2010, only heightened the issue. This complexity was augmented further by the inter-departmental nature of SCURPE’s mandate towards simplifying regulation and streamlining procedures, as this task by default crossed in the territory of other agencies.

There were periods for example, these periods were not entirely approved, when the committee handled some control functions for activities, brought them into its sphere, towards which it did not have a direct relationship (Interviews, O_A4 (R)).

Data around the topic provided the most telling evidence that the frequent passing of the baton had complicated authority channels. As the figures presented earlier demonstrate, when asked which government agency was currently responsible for SME development policy, respondents’ answers varied greatly. Comments around this question included:

I think [it is] the Ministry of Economic Development, yes. And in no way this service led by Michael Brodskiy (Interviews, K_A1).

It’s now called something a little different. I don’t remember within which ministry this department is now included. Naturally, it has not been eliminated altogether. These tasks were transferred to another structure. For me, this structure is a bit mysterious (Interviews, K_B6).

It is thus easy to understand why implementation compliance would have been difficult to manage, given the fact that the policy targets (SMEs) were themselves unclear as to what agency was driving the programme.

Further to this lack of clarity around agency control, the second element of this criterion, the ‘correct ordering of tasks’ did not appear to have received much attention. As detailed earlier (Chapter 3), the notion of ‘executable power’ differs from power in name only (Hood, 1976). In order to exact implementation compliance, an authority must thus be adequately aware of internal dynamics within the implementing agency (Fritz W. Scharpf, 1997). A leader who is quite removed from the policy actors carrying out his/her orders, may not be in a position to manage correct ordering of tasks nor to remedy weak spots in the implementation chain. An authority figure that is relatively in touch with agency behaviour patterns may also be more successful as guiding the implementation process (and be able to command a greater level of respect) for having taken the time to learn how the agency functions. As detailed throughout this chapter, the discrepancy in leadership style between Kuzhel’ and Brodskiy, combined with their contrasting evaluations by SME stakeholders, illustrated the direct impact of clear authority (or lack thereof) on implementation efficiency.

Furthermore, as describe in Section 6.4, implementation action plans lacked clear directives. The strategic goals outlined under the SSURPED working programme were much too broad to be actioned. The finer steps associated with each policy element were not flushed out, nor was it specified which agency would bear responsibility for fulfilling each mechanism. The evidence presented here demonstrates quite clearly that for the majority of SCURPE/SSURPED’s lifespan, the institution did not meet the criterion for ‘clear authority’.

6.5.4 Small number of players

(4) There are a small number of key players involved in the implementation process and dependency relationships between them are minimal.

The issues detailed above around agency span of control applied to the first element of the fourth criterion as well. By default, the nature of the agency’s regulatory objectives included more than a small number of players. In addition to the Ministry of the Economy, SCURPE assessed regulations that applied to the Ministry of Justice, Ministry of Finance and Ministry of Social Policy. This would have resulted in frequent inter-departmental communications, through which the number of key players would have been considered greater than ‘small’. This appears to have resulted in confusion at various points in time over who was responsible for what.

It doesn’t make sense because they liquidated something [SCURPE] and they re-established something else. And the problem is now, because of this regulatory part, no one knows who will deal with this, the Ministry of Economy or the new agency? So now you are going to have this again these overlapping tasks (Interviews, K_B22 (E)).

I do not know where it [SCURPE] sits. They sit by themselves, on Arsenal Street [location of former SCURPE offices]. They are not in the Ministry of Finance or in the Ministry of the Economy. Structurally, they answer to the Ministry of the Economy, that is they are in the administrative sphere of the Ministry of the Economy. But they are all by themselves...it [the committee] is there but it does nothing (Interviews, K_C1 (R)).

In terms of the number of players, committee mandates around SME development were more difficult to assess. The fact that a similarly-named committee operated within the VR during the same time span of SCURPE possibly points to relationship confusion between key players. The VR Committee for Regulatory Policy and Entrepreneurship was at the time of research led by Korolevs’ka (Комітет Верховної Ради України з питань промислової і регуляторної політики та підприємництва, 2012), as detailed in the previous chapter. Although this research did not conduct in depth analysis on the responsibilities of Korovlevs’ka’s committee, the VR committee was

more than once confused with SCURPE during interviews, a sign that policy targets may have associated the two institutions together into one. As the two bodies operated at different levels of government - SCURPE at the executive and the VR committee at the legislative - this confusion could not be considered a failure of institutional cooperation (Fritz Wilhelm Scharpf, 1993). Rather, it represented a lack of clearly discernable institutions, causing policy stakeholders (namely SMEs) to confuse one for the other.

Another state agency, the Regional Fund for Support of Entrepreneurship (RFSE) and its parent agency, the Ukrainian Fund for Support of Entrepreneurship (UFSE), crossed into SCURPE's legislated territory in a similar manner. The UFSE and regional RFSE offices were charged with assisting entrepreneurial development through provision of both consultative services and financial support (Український фонд підтримки підприємництва, 2011), mandates that explicitly overlapped with those of SCURPE. The nuances of the relationship between this agency and SCURPE were highlighted by the fact that, of the three interview respondents who directed UFSE or RFSE offices, only one considered SCURPE to have any sort of influence at all. The programming scope of RFSE presented in itself a fascinating case study, which could be the focus of future research.

Additional agencies with similar functions to SCURPE existed regionally as well. One such example was the SME Development Centre at the Donetsk Chamber of Commerce. The centre worked with local businesses support networks, integrating closely with the Donetsk branch of RFSE as well as the regional employment centre initiatives (Interviews, D_A2 (R)). Interestingly, some residents from eastern Ukraine dismissed SCURPE's effectiveness based on the fact that this local initiative existed:

[Regarding] this State Committee, otherwise they would not have created through the Chamber this additional committee, which sees to the development of small and medium-sized businesses. That is, why was it was created and why is it effective. We consider that it works more effectively than that burdensome organ (Interviews, D_B7 (R)).

Others echoed a similar sentiment in terms of SCURPE's overlap with central ministries:

A government body that protects business within the government – it is nonsense. What need is there for a separate service inside the government that works with enterprises, if there is already the Ministry of Economy and the Ministry of Finance? (Interviews, K_B6).

The second element of this fourth criterion - dependency relationships - manifested in several contexts. Firstly, was the aforementioned issue of several key players being the same for both case policies (Kuzhel', Yekhanurov, Korolevs'ka and, to some degree, Prodan and Lyapina). This crossover of roles distributed between only a few individuals indicated that the two case studies in this research were, at times, not entirely separable. For example, many viewed Kuzhel's time as director of SCURPE as closely linked to the introduction of the single tax.

It is clear that the most successful years of the committee's operation were when it was led by Mme Kuzhel' and Mr. Vashchenko. These were the most successful years... This was the most successful time, for example, because they took measures to develop various regulations. A lot of that has to do with the simplified tax system in 1998. This is exactly the time that concerns Kuzhel' (Interviews, K_C2 (R)).

The other manifestation of dependency relationships occurred in the sphere of regional governance, both of SCURPE and of other SME development measures. Several respondents mentioned the phenomenon of 'hand-picked' leaders extending beyond regional administration into agency branches (Interviews, O_A3 (R)). Without delving into profound political analysis, this type of dependency is exceedingly difficult to document. However, such comments must be noted as a potential indication that regional appointments by the central government, restricted SCURPE's

ability to act out its implementation mandate. Thus, based on the overlapping mandates of development agencies and the high degree of inter-departmental interaction, this thesis considers SCURPE not to have met the criterion for ‘small number of players’.

6.5.5 Mutual understanding and commitment

(5) There is mutual understanding of and commitment to implementation goals by key parties and organisations involved in implementation process.

The primary actors involved in the SCURPE case did not always agree on the way forward. In fact, they were often in direct conflict with one another. This was partly because of their differing institutional allegiances, a phenomenon explained through policy bargaining games:

Minor disagreements between just a few actors can cause delays, as can simple standard operating procedures in bureaucracies. A vicious cycle of delay, fear of ultimate failure or high salvage costs, withdrawal of previous commitments, more delay, increased anxieties, and so forth can also cause implementation failure (Bardach, 1977, p. 39).

In short, actors in policy networks always seek to maximise the influence of their own agency. That, combined with the ‘bureaucratic superstructure’ of SCURPE (Interviews, D_B7 (R)), resulted in a lack of shared vision across implementation networks.

Many respondents considered the Ministry of Economy to be the responsible agency during the periods when SCURPE was under liquidation. This state of affairs was not viewed positively, with many considering the Ministry of Economic Development to be the wrong agency for caretaking SCURPE’s tasks.

Unfortunately, there has today arisen such a situation where the regulatory body ‘the Ministry of Economic Development’ is acting as a specialised organ for fulfilling regulatory policy. This is nonsense because a body cannot regulate the same acts it creates. That is to say, they are reviewing these acts and at the same time submitting their own conclusions on some or another regulatory act. Unfortunately, this is how it is today (Interviews, K_C2 (R)).

There was also a misunderstanding of what SCURPE was meant to attend to during its times of existence. Some understood it as an SME advocacy body within the government, referring to it as:

A lobby mechanism, but within the system. One of the opposition’s tools is this expression of opinions against [the system]. That is this organ [SCURPE]. Of it, one can say with confidence that it is an effective mechanism, if some mechanism were actually able to change something (Interviews, O_C12).

Others considered it more of a paper-pushing agency than one capable of actualising policy objectives.

Everyone says, “Yes to any business, we will help business”. But what when they have to show which reforms they have enacted, everyone says, “We are constrained just now” (Interviews, 2012).

The data shows that neither SCURPE nor the Ministry of the Economy had solid understanding of the committee’s objectives. This, combined with the conflicts between key actors, renders the ‘mutual understanding’ criterion unmet.

6.5.6 Communication and coordination

(6) Key players and implementation agencies have good communication and coordination between them.

The most telling evidence in favour of this criterion being met was respondent awareness of SCURPE during this time period. One or both of its manifestations were mentioned in the majority of interviews (without prompting). Furthermore, as detailed above, 42 out of 141 total respondents considered SCURPE to be, or to have been, the primary authority for SME development policy. This represented the highest number of respondents to consider any one

institution as a primary authority, indicating that the committee's communication structures must have implemented their mandate at least in part.

A further indication of good communication with stakeholders was evidenced through data regarding SCURPE's regional representation. Beginning from 2004, SCURPE operated branch offices across Ukraine's provinces (oblasts). This thesis interviewed a former SCURPE regional leader (or two) in every research region, all of whom spoke positively about the impact the regional representatives were able to make.

The structure in L'viv region was one of the most powerful in Ukraine, so that you know. The representation of SCURPE was one of the most powerful and strongest. So we can say that we were top ranking (Interviews, L_B10 (U)).

They worked proactively, by the way. When they were in operation, they worked proactively, they went around the districts of the city and saw for themselves how the permitting centres were working, how the regulatory policy [was working] towards implementation of the regulatory acts. any regulations. For this reason, yes of course we would like them to begin their work [again] within the new agency (Interviews, D_A7 (R)).

The recall of these regional representatives during the committee's transition to leadership under Brodskiy was viewed as a poor decision.

The regional representative did not work as a controller. He worked as a whistle-blower, he only carried information. Why, because people work here, these bureaucrats, they work with the government, and the government would like, you know, how the government is. For this reason, when Brodskiy arrived, he saw this and decided to break it off...to close all the branches (Interviews, D_A3 (R)).

In the lead up to SSURPED's reestablishment, there had been an indication that regional representation would again be rolled out, but respondents seemed to agree that even if this were to materialise, branch offices would not be staffed to their previous level.

The Presidential Decree makes allowance for the renewal of representatives here in the regions. Only they would no longer be of such a number, as we were previously. There will be fewer people, but I have not yet seen, have not yet developed proposals on how and through what methods these representatives will work. But will the system is being restored (Interviews, O_A4 (R)).

Today we do not have any support in this sense, nothing on the ground. Today there is only, well, there is the city level, but I do not know what they are doing or who they have engaged. There is the oblas't but I do not know who works in defence [of SMEs] as such, no one is engaged in this (Interviews, O_C3 (R)).

Further to the improved communication channels via regional representatives, information also travelled electronically through the committee's website. Particularly of note was the updated website, introduced together with the reintroduced SSURPED. Although SCURPE had operated a website (Державний комітет України з питань регуляторної політики та підприємництва, 2010), links had not always been active and it had been clunky to navigate. The revamped site not only contained significantly more information, but presented it in a more user-friendly fashion (Державна служба України з питань регуляторної політики та розвитку підприємництва, 2012). Enhanced information included live links to SME-relevant legislation and regulation, as well as updates on interactions between the service and the agency's associated citizen's council.⁵⁹ Further additions to the new site were direct links to pertinent agencies involved in SME support and assistance. These included links to the aforementioned

⁵⁹ Громадська рада при Державній службі України з питань регуляторної політики та розвитку підприємництва. Such citizens' councils are commonplace, attached to a great many government bodies, at both the national and regional levels.

citizen's council, as well as to the UFSE. There were also connections to SME-specific government hotlines on tax information, as well as recent results from the IFC's Doing Business reports, none of which had been present in the previous version of the website.

It is interesting to note that improved web presence was a feature of both case studies introduced during the Yanukovych administration. As Chapter 7 details shortly, this presidential era was viewed by respondents with overwhelming negativity. However, in the area of electronic communication, this administration outperformed the others.

Despite these positive changes, key informational aspects were still lacking. Many basic pages on the site about SSURPED's history, information on active employees, and current vacancies contained no information. The IFC data was presented sans links to the original research. And there was no mention of regional representation or any plan to reinstate it. Despite these shortcomings, the joint effort of vastly improved website, together with the regional representation from 2004-2010, renders the 'communication and coordination' criterion more or less met.

6.5.7 Available resources

(7) Resources are sufficient and available.

The section on implementation mechanisms presented the recent budgets of SSURPED, which began in 2012 with an annual account of 228,226,000 UAH (21,409,568 EUR). Returning to the agency's action plan complete with strategic goals, that roughly equates to 7 million EUR per goal spent in 2012 (no funding was pegged to goal number one – 'Creating a favourable environment for economic activities in Ukraine') (План діяльності на плановий та два бюджетні періоди, що настають за плановим Державної служби України з питань регуляторної політики та розвитку підприємництва No 869, 2012). By way of comparison, during a similar time period the Polish Agency for Enterprise Development operated with an annual budget of 1.21 billion EUR (7.24 EUR over 6 years) (Polska Agencja Rozwoju Przedsiębiorczości, 2014a), over 56 times the amount allocated to SCURPE.

From respondents' point of view, SCURPE's resources were far from sufficient.

Support programmes mean, well a typical example: the money is allocated to subsidise the interest on loans for small businesses. Firstly, this [amount of] money is quite funny, in the thousands, never more than one million hryvnia [93, 808 EUR] (Interviews, K_B8).

Derzhompidpriemnitstva was in principle, one of the activity goals for it was also the support of small and medium business, and it seems to me, that in their academic plan they are very good, they produce a lot [of research], and in this sphere we have published joint monographs with them. But in their work programme, it seems to me, they lack an applied nature. That is, they have great ideas but they are not always implemented...it is a question of financing, there is not enough understanding within the government of the scientific need for substantive action in the field of small and medium business development (Interviews, L_B9).

A few felt differently, including those very close to SCURPE. One former high-level staff member hinted that the new agency SSURPED would be very well-resourced:

The presidential decree that was written at the end-beginning of the year was a decree on the establishment of a government service for regulatory policy and enterprise development. Mikhail Yur'evich Brodskiy has again been appointed head. Its current state of approval is at the formative stage of the service. The service is expected to be around 270 people strong. The service will carry out those functions that were once carried out by the committee. Now the Ministry of Economic Development will transfer these functions back: some of the regulation procedures, a portion of licensing systems, entrepreneurship support and development. This is a very brief summary (Interviews, K_A6).

Despite these few outliers, the overwhelmingly common consensus was that SCURPE did not have adequate resources to perform its duties, rendering the ‘sufficient resources’ criterion unmet.

6.5.8 External events

(8) Externally generated and intervening circumstances are minimal.

Some of the external events described in the single tax case also apply to SCURPE, primarily the international financial crisis that began in 2008, as well as the Euromaidan events of 2013 and 2014. According to interview data, the international financial crisis affected SCURPE by reducing the committee’s (already limited) budget. Interview results demonstrate that a majority of respondents found the best period for SME development support to be prior to the financial crisis of 2008. While this statement undoubtedly extended beyond SCURPE to include other development initiatives, it is still safe to conclude that this external event negatively affected SCURPE’s implementation performance.

In regards to the politically drastic (and violent) events of late 2013 and 2014, their continual unfolding makes premature any assessment as to the overall impact of these events on SCURPE’s implementation. In eastern Ukraine, however, where the conflict is most severe, it may be surmised that SSURPED’s initiatives have been significantly disrupted by these events.

As much of SCURPE’s work programme took place between 1998 and 2010, the two external circumstances detailed were not deemed to have dampened implementation outcomes to any significant effect. Thus, this research considers the criterion ‘external events’ to have been met.

In summary, during its introductory era SCURPE satisfied the following criteria: ‘cause and effect’, ‘communication and coordination’, and ‘external events’. It did not meet criteria around ‘key support’, ‘clear authority’, ‘small number of players’, ‘mutual understanding and commitment’, or ‘available resources’. Thus, during the introductory era, SCURPE met three out of eight criteria, which (at the designated success rate of no less than 50%) did not qualify as successful implementation. Despite significant stakeholder support for the agency during its introductory era, its disorganised and underspecified implementation processes prevented it from operating efficiently.

It was more difficult to distinguish between introductory and reform eras for the SCURPE/SSURPED case (than for the Single Tax), as the agency did not operate consistently. If attempting to differentiate between the two implementation eras, it may be said that during SCURPE’s recreation as SSURPED, implementation efficiency did not diverge greatly from the introductory era. When considered against the theoretical AIC framework, the same three criteria were met during the reform era: ‘cause and effect’, ‘communication and coordination’, and ‘external events’. Similarly, the same five criteria remained unsatisfied under SSURPED: ‘key support’, ‘clear authority’, ‘small number of players’, ‘mutual understanding and commitment’, ‘available resources’. The fact that adherence to the theoretical framework did not change from the introductory to the reform era, further indicates that the SCURPE/SSURPED case may be better assessed as one continuous policy, rather than as two eras of one programme. Thus, despite the ‘stop-start’ nature of the agency, its implementation performance remained more or less the same.

6.6 Analysis

Considering the above findings together, it is clear that the recent manifestation of a government agency for regulatory policy and enterprise development, currently SSURPED, does not seem to have been invested with the necessary tools for action. In large part, this comes back to what people viewed as an incompetent, uninterested leader,

under whom any agency would suffer. Thus, a lack of ‘clear authority’ and ‘key support’ might be seen as the key implementation criteria around which the agency failed.

However, the presence of Kuzhel’ contradicted what was otherwise a lack of adherence to the ‘clear authority’ criterion. Her seeming level of control demonstrated the difference that a strong leader can enact within a policy system, especially during the time period when she was both head of SCURPE and a key actor in creating the Simplified Single Tax legislation. However, it was difficult to disentangle direct commentary around Kuzhel’s leadership capabilities from the idolism that surrounded her, making any analysis around her ability to command a clear authority inconclusive. Furthermore, Kuzhel’ led SCURPE for only five years, which, although longer than any other individual, was nonetheless counteracted by disorganised leadership prior to and following her time as leader. There is potentially a role for increased analysis around these questions within a reworked theoretical framework, incorporating a more specified frame around the definition of clear authority and to what degree the individual in question is able to command the willingness and dedication of his/her employees.

In the area of communications, SCURPE produced more successful implementation outcomes than the Single Tax. The regional representatives were widely seen as integral to the committee’s connection with SMEs around the country. This notion relates back to one of this thesis’ themes around the highly vertical power structures in Ukraine. It is critical to bear in mind that many respondents viewed SCURPE’s most successful time period as that when the committee operated regional offices around the country. This finding emphasises the continued importance of enhancing horizontal power structures towards empowering them in a way meaningful for both government and SME stakeholders. The strengthening of horizontal power structures also includes earlier discussions of governance networks, as full-fledged regional representation is often a mixture of public and private actors (Laurence E. Lynn Jr., Heinrich, & Hill, 2000).

The conversation around SCURPE regularly diverged to include other development initiatives, such as RFSE or the VR Committee on Entrepreneurship. The occasional confusion between these programmes and SCURPE highlights the need to more clearly distinguish between the mandates of various SME support institutions. Possibly, an analysis of overlapping directives amongst such agencies, towards a reduction of their duplicative efforts, would increase both their individual efficiency levels as well as their public profiles. It should also be noted that SCURPE and SSURPED were both created at the highest level, through presidential decrees, which is not in line with commonly held views that regulatory agendas are often best implemented through ongoing negotiations (Fritz Wilhelm Scharpf, 1993). It may be surmised, that this particular policy style may be better at establishing agencies than it is in monitoring their performance. The question of policy window may also come into play in this regard (Dudley, 2013; Kingdon, 1995), as the presence of an unique set of conditions may have been responsible for the establishment of SCURPE in the first place.

Although examples of SME development agencies were available within the post-Soviet region (Polska Agencja Rozwoju Przedsiębiorczości, 2014b), the creation and implementation of SCURPE/SSURPED did not seem to actively incorporate learnings from such agencies. This consideration is detailed in Chapter 8, where additional implementation criteria are proposed. Other suggestions for new criteria that relate to SCURPE include above discussion around mixed messaging for development programmes (Section 6.5.5), specifically concerning policies that may be enacted more for political purposes than for actual intent.

Theoretically, an agency like SCURPE or SSURPED has the potential to be of great value to the Ukrainian SME sector. Not only have there continually been major gaps in the country's SME support infrastructure, but both formal and informal institutions lag behind their western counterparts in terms of stability and efficiency. A well-designed and closely monitored SME support institution could well be a suitable platform for combatting these conditions. But fundamental changes in SCURPE/SSURPED would be needed before this institution could function effectively.

6.7 Conclusion

The overly broad mandate of SCURPE/SSURPED was counterproductive to the agency's objectives. In order to have greater implementation success, SCURPE's goals should have been reduced to just a few core targets, which would have made implementation satisfaction more attainable. The 2012 action plan was possibly a move in this direction, but the simplification process could have been enacted to a far greater degree. The fact that this would have required a significant shift in policy making styles was one reason such an endeavour remained particularly challenging. Other factors included a lack of best practice incorporation, a differentiation between policy creation and actual objectives, and a limited set of implementation mechanisms. The creation of SCURPE may possibly have been due to a passing policy window, tied to a few key actors, more than to a genuine and lasting desire within the Ukrainian government to set up a business support agency. Once ensconced in the policy system, SCURPE then remained consistently in limbo, always lacking the resources and support to accomplish its objectives. The agency's frequent liquidation and reestablishment was testament to this broader indecision around SCURPE's role. In some sense, it may then be said that SCURPE's creation was unpredictable, as was the agency's history since that point. Considering the recent changes in Ukraine's leadership, it is conceivable that another 'window' for significant change could arise in the near future as the government shifts its focus from that of the previous administration.

The chapters that follow contribute towards this idea by examining in detail the above theoretical considerations, which are not covered in the AIC model. In the post-Soviet context of Ukraine, additional socio-political factors not present in AIC may be particularly informative towards addressing policy obstacles that have plagued an agency such as SCURPE. The next chapter turns its attention towards longer term implementation considerations regarding both policy cases, in order to better contextualise the subsequent introduction (Chapter 8) of the Fischer-Smith Policy Implementation Measurement for Post-Soviet States (FSPIMPS) model.

References Cited

- Bardach, E. (1977). *The Implementation Game: What Happens After a Bill Becomes a Law*. Cambridge, Massachussettes; London, England: MIT Press.
- Buchanan, J. M., Tullock, G., & Rowley, C. K. (2004). *The calculus of consent: Logical foundations of constitutional democracy*. Indianapolis: Liberty Fund.
- Bulgarian Development Agency. (2014). *Bulgarian Development Agency*. Retrieved from <http://www.bg-da.eu/en> on 1 August 2014.
- Cameron, A. F., & Massey, C. (1999). *Small and Medium-sized Enterprises: A New Zealand Perspective*. Auckland, N.Z.: Longman.
- D'Anieri, P. (2012). Ukrainian foreign policy from independence to inertia. *Communist and Post-Communist Studies*, 45(3-4), 447-456.

- Dudley, G. (2013). Why do ideas succeed and fail over time? The role of narratives in policy windows and the case of the London congestion charge. *Journal of European Public Policy*, 20(8), 1139-1156.
- Dunsire, A. (1978). *The Execution Process*. Oxford: Martin Robertson.
- European Bank of Reconstruction and Development. (1997). Transition Report 1997: Enterprise Performance and Growth. London: European Bank of Reconstruction and Development.
- European Commission. (2014). *Entrepreneurship 2020 Action Plan*. Retrieved from http://ec.europa.eu/enterprise/policies/sme/entrepreneurship-2020/index_en.htm on 1 August 2014.
- Hall, P. (1993). Policy paradigms, social learning, and the state: the case of economic policymaking in Britain. *Comparative politics*, 275-296.
- Hood, C. C. (1976). *The Limits of Administration*. London; New York; Sydney; Toronto: John Wiley & Sons.
- Interviews. (2012). *Policy Implementation in a Transition Economy: Two decades of Small and Medium Enterprise Development in Ukraine*. Interviews conducted with Ukrainian SME key informants (Ruth Fischer-Smith). University of Canterbury.
- Kingdon, J. W. (1995). *Agendas, alternatives, and public policies* (2nd ed.). New York: Longman.
- Laurence E. Lynn Jr., Heinrich, C. J., & Hill, C. J. (2000). Studying Governance and Public Management: Challenges and Prospects. *Journal of Public Administration Research and Theory*, 10(2), 233-261.
- Lyapin, D., Lyapin, K., Stupytsky, O., & Shklyanruk, F. (2002). Ukraine and Russia: SME Development Policy – Analytical Survey (pp. 52). Bizpro Project: Institute of Competitive Society.
- Melnykovska, I., Schweickert, R., & Kostyuchenko, T. (2011). Balancing National Uncertainty and Foreign Orientation: Identity Building and the Role of Political Parties in Post-Orange Ukraine. *Europe-Asia Studies*, 63(6), 1055-1072.
- Polska Agencja Rozwoju Przedsiębiorczości. (2014a). *The Polish Agency for Enterprise Development - Structural funds for 2007-2013*. Retrieved from <http://en.parp.gov.pl/files/214/6827.pdf> on 1 August 2014.
- Polska Agencja Rozwoju Przedsiębiorczości. (2014b). *Polska Agencja Rozwoju Przedsiębiorczości*. Retrieved from <http://en.parp.gov.pl/index/more/10843> on 1 August 2014.
- Pressman, J., & Wildavsky, A. (1973). *Implementation: How Great Expectations in Washington are Dashed in Oakland*. Berkeley: University of California Press.
- Sabatier, P. A. (1999). *Theories of the policy process*. Boulder, Colo.: Westview Press.
- Scharpf, F. W. (1993). *Games in Hierarchies and Networks: Analytical and Empirical Approaches to the Study of Governance Institutions*. Frankfurt; Boulder, Colorado: Campus Verlag; Westview Press.
- Scharpf, F. W. (1997). *Games Real Actors Play: Actor-centered Institutionalism In Policy Research*. New York: Westview Press.
- U.S. Agency for International Development. (2006). Bizpro Final Report. Washington DC: DAJ; US Agency for International Development.
- Welter, F. (1997). Small and Medium Enterprises in Central and Eastern Europe: Trends, Barriers and Solutions *RWI-Papier, Nr. 51*. Essen: Rheinisch-Westfälisches Institut für Wirtschaftsforschung.
- Wildavsky, A. (1979). *Speaking Truth to Power: The Art and Craft of Policy Analysis*. Boston; Toronto: Little, Brown and Company.
- Богословська, І. (2014). Інна Богословська - Біографія. Retrieved from <http://www.inna.com.ua/ru/press/biography/29/> on 1 August 2014.
- Васильців, Т. Г., Волошин, В. І., & Гуменюк, А. М. (2009). *Пріоритети та засоби зміцнення економічної безпеки малого і середнього підприємництва*. Львівська комерційна академія.
- Державна служба України з питань регуляторної політики та розвитку підприємництва. (2012). *Державна служба України з питань регуляторної політики та розвитку підприємництва*. Retrieved from <http://www.dkrp.gov.ua/> on 21 March 2013.
- Державний комітет України з питань регуляторної політики та підприємництва. (2010). *Державний комітет України з питань регуляторної політики та підприємництва (site no longer active)*. Retrieved from http://www.dkrp.gov.ua/control/uk/publish/category?cat_id=59517 on 5 November 2010.
- З.С.Варналій. (2001). *Мале підприємництво: основи теорії і практики*. Retrieved from http://libfree.com/146307386-ekonomikamale_pidpriyemnistvo_osnovi_teoriyi_i_praktiki_varnaliy_zs.html
- Закон України "Про Національну програму сприяння розвитку малого підприємництва в Україні", No 2157-III (2000).
- Закон України "Про розвиток та державну підтримку малого і середнього підприємництва в Україні", No 4168-VI (2012).

- Закон Української Радянської Соціалістичної Республіки "Про перелік міністерств та інші центральні органи державного управління Української РСР", No 10306-XII (1991).
- Кашуба, Я. М. (2009). Напрями підтримки розвитку малого та середнього підприємництва: досвід польщі для України: Львівська обласна державна адміністрація.
- Кашуба, Я. М. (2010). Проблеми стратегічного планування розвитку підприємництва в Україні. *Сталий розвиток економіки - Всеукраїнський науково-виробничий журнал*, 21-26.
- Комітет Верховної Ради України з питань промислової і регуляторної політики та підприємництва. (2012). *Комітет Верховної Ради України з питань промислової і регуляторної політики та підприємництва*. Retrieved from http://w1.c1.rada.gov.ua/pls/site/p_komity?pidid=2088 on 9 January 2012.
- План діяльності на плановий та два бюджетні періоди, що настають за плановим Державної служби України з питань регуляторної політики та розвитку підприємництва No 869 (2012).
- Постанова Про порядок реалізації Закону УРСР "Про перелік міністерств та інші центральні органи державного управління Української РСР", No 12 (1991).
- Указ Президента України "Про Державний комітет України з питань розвитку підприємництва", No 737/97 (1997).
- Указ Президента України "Деякі питання діяльності Державної служби України з питань регуляторної політики та розвитку підприємництва" та "Положення про Державну службу України з питань регуляторної політики та розвитку підприємства" No 237/2012 (2012).
- Указ Президента України "Про оптимізацію системи центральних органів виконавчої влади", No 1085/2010 (2010).
- Указ Президента України "Про реформування системи державної підтримки підприємництва", No 226/95 (1995).
- Український фонд підтримки підприємства. (2011). *Український фонд підтримки підприємства*. Retrieved from <http://ufpp.gov.ua/> on April 16 2013.

7 Data Presentation and Summary

This chapter takes a step back from implementation assessment theory to present some additional data gathered during the interviews. In order to take advantage of its unique interview opportunities, this research collected supplementary longitudinal data, asking respondents about their experiences with tax and development policy over time. These findings included critical commentary on each Ukrainian president to date, rounding out the theoretical dataset by providing information on the quality of the SME business environment, inclusive of longitudinal policy patterns, from Ukraine's independence to the present (2012).

It is important to remember when examining the research findings that the mood during data collection in 2012 was overwhelmingly negative, reflecting a high degree of systemic disillusionment with government administration and associated processes. In the eight months that this project spent gathering data, public reactions to the subject matter were often greeted with comments such as 'small business in Ukraine will soon be dead' (Interviews, 2012), and other such bleakly expressed outlooks. This common perspective was the result of trying political times for the average citizen, as Yanukovych's administrative power was becoming ever more consolidated into a narrow circle of 'family' (Smereka, 2012). Post-Orange disillusionment, the deep frustration that had settled over the public mood following the inability of the Orange government to enact meaningful reforms, added an additional layer of cynicism to the already toxic mood. As one respondent phrased it:

The Ukrainian nation is currently in a state of unconsciousness, she has lost her awareness and is barely even breathing. Thus in a matter of time the situation may bring about a passionate explosion (Interviews, 2012, K_A10).

Indeed, only a little over a year after fieldwork had been completed, Ukraine did explode. The mounting public frustration with the government's increasingly corrupt and nepotistic governing style brought about mass political protests that resulted in a drastic change of government. It is therefore critical to bear in mind that the research data presented here was collected before the 'explosion' which saw Yanukovych unseated. The extraordinarily low level of support for the then-current regime present in the data is thus extremely telling, in many ways attesting to (or predicting) the popular uprising the following year. The information in this chapter thus provides a snapshot look into the socio-political world of Ukraine directly before the dramatic events that began in late 2013.

The chapter proceeds in the following manner. Firstly is a summation of respondent statistics, detailing the make-up of the interview sample. This is followed by an overview of the four research regions and associated geographical patterns in the data. The next section presents a similar overview for the three demographics of key respondents and data trends in this respect. After the summation of regional and demographical datasets, is a section detailing the quantitative survey data, inclusive of both statistical and graphical information. Following the sections on data presentation is an analytical section on key data findings, which links the longitudinal data back to the theoretical implementation criteria. The chapter ends with a summary of the eight criteria that make up the AIC in a review that integrates the findings from Chapters 5 and 6 into a shared conclusion, thus setting the scene for presentation of the new research model FSPIMPS.

7.1 Respondent statistics

This research conducted 141 total interviews across four regions (Centre, South, East, West) and three demographics (government representatives and civil servants; international actors, domestic NGOs and academics; SME associations and SMEs).

Table 7.1 – Respondent statistics by region

	Male	Female	Total
Centre	34	20	54
South	18	6	24
East	17	12	31
West	26	6	32
Total	91	50	141

Table 7.2 – Respondent statistics by demographic

	Male	Female	Total
Demographic A	24	10	34
Demographic B	33	17	50
Demographic C	38	19	57
Total	95	46	141

Although every attempt was made to balance data collection across regions, demographics and respondent sex, Tables 7.1 and 7.2 demonstrate that some disproportion remained. The disparity between male and female respondents, for example, was nearly 2:1. The disparity between demographics was somewhat more expected, as it was more difficult to obtain interviews with government officials (Demographic A) than with any other demographic. The greater number of interviews in the Centre than in any other region was also expected, as fieldwork was conducted in Kyiv for twice as long as any other region, due to its size and importance as the capital. However, the remaining disparities, namely the low number of female key respondents in the South and West, were unplanned and merely a result of data collection availability. Furthermore, respondents hailed primarily from urban areas, with only 12 total respondents across all three demographics from rural settings.⁶⁰

7.2 Regional variations in the data

7.2.1 Central Ukraine

This research conducted 54 total interviews in central Ukraine, the most of any single region. Primarily conducted in Kyiv, interviews from the Centre also included the cities and towns of Zhitomir, Vinnytsia and Bila Tserkva. As was to be expected from a capital city, Kyiv respondents usually maintained a busy pace of life, which sometimes made obtaining interviews more difficult than in other regions of Ukraine.

The dataset from the central region included the most international actors, usually amongst respondents from international diplomatic missions or NGOs, but additionally as SME owners or business association leaders. The former was due to the fact that nearly all international organisations and governments with a presence in Ukraine based their headquarters in Kyiv. This congested environment tended to make linkages between actors more difficult to define, due to quantity of international representatives in one city. A further factor in the uncertain atmosphere of Kyiv was wrought by the uncertain state of affairs of the Kyiv City Administration. As mentioned in Chapter 4, the city of Kyiv was (and is) administered at the same level as an oblast (province), with its own governing bodies separate to the Kyivs'ka Oblast. The Kyiv Mayor had resigned in 2012, following nearly two years of essentially

⁶⁰ Attempting to balance respondents evenly between urban and rural settings was outside the scope of this research.

powerless leadership after Yanukovych had appointed one of his own colleagues as head of Kyiv State Administration (Ukrainian Center for Independent Political Research, 2010). No date had been set for new mayoral elections, leaving the city of Kyiv in a state of ambiguity around its leadership. These circumstances contributed to the already existent lack of cohesion present in the capital city. They also rendered communication with local government officials for research purposes almost non-existent.

An archetypal central Ukrainian respondent could be considered one of the Ukrainian citizens working for an international aid organisations, or Ukrainian NGOs with an international funding base. Of respondents from Demographic B in Kyiv, 60% (14 of 23) belonged to this category. They were primarily Ukrainian natives with significant international experience, employed by not-for-profit organisations such as USAID or George Soros' IRF. When asked about their personal motivation for their work, a common descriptor amongst this group included the benefits of working for a results-oriented organisation and of being able to actually complete projects for the benefit of the target group. Many of them also mentioned their desire to help improve Ukraine's socio-political and economic environment, describing their relationship with their work as below:

What appeals to me most is its mission, which is using the financial resources to support the significant initiatives of civil society and to build open society. So this is something which attracts me to this foundation, I want to be part of it (Interviews, K_B9).

An example of such an archetypal respondent from central Ukraine was respondent K_B4. A staff member for USAID project Local Initiatives in National Competitiveness (LINC) (U.S. Agency for International Development, 2012), he was a male in his mid to late thirties. His mother tongue was Ukrainian, although he spoke several other languages, including perfect Russian, and passable English. He held a PhD from a Ukrainian university, and had spent enough time abroad for work to understand the differences (disadvantages) between Ukrainian society and that of Western Europe. He was married, had young children, and hoped to bring them up in a better Ukraine than the one in which he had grown up. The prevalence of this type of individual indicated a consistent level of what could only be termed 'patriotism' in central Ukraine.

7.2.2 Southern Ukraine

This research conducted 24 total interviews in southern Ukraine, the fewest of any single region.⁶¹ Primarily conducted in Odesa, interviews were also held in the cities and towns of Sevastopol, Simferopol, Kherson City and Izmail. The pace of life in Odesa was slower than in Kyiv, interviews would frequently be arranged the same day as contact was initiated, and access to municipal and regional officials was significantly easier than in the capital.

Of the regions included in this research, southern Ukraine was by far the least organised in terms of institutional and administrative systems. Its aging transport infrastructure was badly in need of modern upgrades; busses, for example, had not been replaced since the end of the Soviet Union and broke down regularly. Many building facades stood in disrepair and, in some parts of Odesa, entire city blocks of empty buildings had become rubbish heaps. True to its moniker as the city of humour,⁶² the attitude in Odesa seemed to be to laugh this off wryly and change the subject. Comments by several respondents aligned this neglect with high levels of corruption within local government, as well as a high degree of connectivity between Odesa city and oblast officials with the Party of

⁶¹ The least time was spent in Southern Ukraine so this corresponds to the fewer number of interviews.

⁶² <http://www.umorina.od.ua/>

Regions political party. A testament to its lack of modernised services, Odesa was the only major city not to host any games for the Euro 2012 soccer competition, another fact that respondents in southern Ukraine laughed off bitterly.

The South lacked many of the networks present in other Ukrainian regions. For example, participants from the CIPE training modules detailed in Chapters 5 and 6 were interviewed in the Centre, East and West but none surfaced in the South. However, the Regional Fund for Support of Entrepreneurship (RFSE) and the Association of Employers' Organisations of Ukraine (AEOU) in the South were particularly active, although did not necessarily translate into their being particularly effective. The mode of operation of both agencies gave an impression more of a club than a lobbying organisation, which related back to aforementioned networks of historical friends. The South was home to far fewer SME-oriented NGOS than the rest of the country, although the EBA did have a local member base in Odesa.

The archetypal respondent from the South bore many Soviet-era relics. Several respondents from this typology spoke of their friendships dating back to their days as Young Pioneers,⁶³ a reference point rarely heard in other regions. The archetype was best summed up by respondent O_C14. A leader of the Ukrainian Union of Female Farmers, she was a staunch woman whose style of dress and mannerisms hearkened back to a more 'soviet' style of life. Her first language was Russian, which attested to the Soviet era in which she had been raised, and she did not speak fluent Ukrainian. Her children had grown and moved on to families of their own, leaving her plenty of time to devote to her organisation and its efforts. She went about her work passionately, but not necessarily strategically, and therefore possibly achieved less for her efforts than might otherwise have been. For example, building strong connections with those in power did not appear to be a priority, and thus her organisation remained relatively disconnected from government networks. This tendency towards disassociated organisations observable in the archetypal southern respondent indicated a lack of unity amongst SME stakeholders in the South.

7.2.3 Eastern Ukraine

This research conducted 31 total interviews in eastern Ukraine, primarily in Donetsk but also in the cities and towns of Kharkiv, Makiiivka, and Krasniy Luch. This region was dominated by its industrial economy, which had been a stronghold of the Soviet economy, although it was in the process of transitioning to more modern models (with differing degrees of success). The pervasiveness of industry, particularly coal mining, could be found everywhere. Smokestacks from the many mines were visible in every direction, the local soccer team was the 'coal miners', and the apartment accommodation of this research stood above train tracks on which a full train of coal passed twice an hour. Respondents from eastern Ukraine regularly mentioned the region's industrial strengths in interviews, recognising it as a building block of the region's modern economy.

Interestingly, the linkages between cooperating agencies were stronger in the East than in any other region. When speaking about working relationships and general SME support networks, organisations cross-referenced each other consistently. This included the Donetsk Chamber of Commerce and its associated SME development centre (Центр развития малого и среднего предпринимательства), the RFSE and the AEOU. Many individuals knew the names of the leadership of these three organisations (Chamber of Commerce, RFSE, and AEOU), often referring to several of them together, acknowledging the cooperation between the three. This overlapping knowledge of SME actors extended to eastern NGOs as well, with those most active, including the association for Socio-economic Strategies and Partnerships and the civic organisation of Alliance (Альянс, 2014; Социально-экономические

⁶³ The Young Pioneers was a youth organisation for Soviet citizens who were too young to formally join the Communist Party.

стратегии и партнерства, 2014), mentioned frequently amongst key respondents in the East. The city of Donetsk also demonstrated a deeper level of integration with university-based initiatives around entrepreneurial education than either the Centre or the South, including a designated business incubator programme at Donetsk State University of Management, an entrepreneurial night school (operating free of charge) in the city of Makiivka, and annual competition for entrepreneurship across the region (Donbas Oblast). Several additional domestic NGOs in Donetsk displayed a particularly high activity level and comprehension of core issues facing entrepreneurs, organising educational opportunities and materials around combatting corruption and SME advocacy (Агентство регіонального розвитку "Донбас", 2011; Соціально-економічні стратегії та партнерства, 2011). Finally, an increasingly popular model around 'business clusters' was observed in the East, specifically around the sectors of jewellery and ceramics. Although interview respondents did not tie this back to their own theoretical knowledge, the SME literature on regional growth models confirms the potential economic benefits of cluster-style organisation (Audretsch, 2002; Delgado, Porter, & Stern, 2010).

The archetypal respondent from eastern Ukraine may be found in respondent D_C12: the leader of a local business association, with long-standing contacts and networks within his region. He was a family man who spoke Russian as a first language and, in addition to organising a business group, he ran his own successful small business. His interaction with the growing advocacy models being promoted around Ukraine through domestic and international NGOs (CIPE, PFI and Green Book) contributed actively to his widening scope of interest in other regions of Ukraine, including an increased desire to improve command of the Ukrainian language. Although not as cosmopolitan as his counterparts from central Ukraine, the typical respondent from the East had an acute sense of the benefits of inter-organisational cooperation, and was more knowledgeable about SME support initiatives and organisations in his own region than respondents from any other region in Ukraine. The marked presence of open attitudes and a willingness to learn in the archetypal eastern respondent, combined with the interconnectedness of the region's organisations, indicated a great potential for continually increased effectiveness amongst SME stakeholders.

7.2.4 Western Ukraine

This research conducted 32 interviews in western Ukraine, primarily in the regional capital of Lviv, but also in the cities and towns of Lutsk, Uzhhorod, Ternopil' and Zolochiv. The West was characterised by its integrated history with central Europe and positive attitudes towards the EU, outlooks that were mentioned frequently during interviews.

Similarly to eastern Ukraine, the links between cooperating agencies were strong in the West. This included the AEOU, the Chamber of Commerce, the EBA and the National Institute of Strategic Studies. Dialogue between these agencies with local government (both municipal and regional) was also strong. The RFSE, however, that accounted for a core part of business development networks other parts of Ukraine, was inactive in Lviv. This curious finding supported the suggestion put forth in Chapter 6 that the RFSE would be an interesting case study on which to conduct further research.

Other western Ukrainian SME organisations appeared to operate outside the national relationship network detailed in Chapter 5. This included the aforementioned Assembly of NGOs for Small and Medium Businesses of Ukraine, as well as other regional groups, such as the SME Development Centre in Lutsk, and the business department at Ukrainian Catholic University.

An archetypal respondent from western Ukraine was respondent L_A1: an academic with research or employment links to local government. This respondent was also a former (or current) director of a small, SME-based NGO, further adding to the overlap between his spheres of interest and knowledge. A male in his early 40s, he spoke Ukrainian as his first language and, although the circles he worked in did not require him to use Russian very often, he was comfortable in this language as well.⁶⁴ He had some overseas experience, mostly with EU member states of Poland and Germany, and had interacted with his counterparts in these nations around technical exchange programmes. In addition to his involvement with the above organisations, he also sat as a member of the regional Council of Entrepreneurs under the Cabinet of Ministers of Ukraine, participating actively in this SME lobbying group.

The West had many similarities to the East in terms of regional interconnectedness between business associations, NGOs and local government networks. Although the organisations in the West were less familiar to key respondents of the other regions,⁶⁵ within western Ukraine many respondents were familiar with a wide range of local initiatives and agencies. Just as in eastern Ukraine, business cluster models were becoming more popular in the West, with the focus in that region on the Internet technology and tourism sectors.

7.3 Longitudinal views of SME operating conditions: Cross-regional comparison

In addition to questions based on the theoretical implementation measurement model, this research also asked respondents about the best time period for small and medium firms during Ukraine's twenty years as an independent nation. The interviewer presented the question in an open ended fashion, asking respondents which time period since 1991 had been best for SME operating conditions.⁶⁶ The question was asked a total of three times throughout the interview, firstly in reference to general operating conditions, secondly with a specific focus on conditions relating to the tax environment (first case policy), and thirdly with a focus on conditions relations to SME development programmes and initiatives (second case policy). The inclusion of the case policies tied this additional data directly into the dissertation's theoretical framework, making the longitudinal data complementary to the wider dataset. The information is presented here, first regionally and then according to demographics. The order has been selected based on the fact that respondents' answers differed significantly more across regions than they did across demographics.

Prior to detailing key points of interest for each region, it is necessary to explain the data analysis process that has resulted in the tables and figures below. As detailed above, the questions regarding best time period for SME operating conditions were phrased in an open-ended manner, so that respondents' answers may have been any number of years from 1991 - 2012. In order to represent the data most meaningfully, a decision was made to display results in terms of Ukrainian presidential administrations (as every set of years aligned with one/two administrations). This decision not only allowed the data to be represented in a way that aligned with the trends found in the case studies, but also made it more visually accessible for the reader. However the categories contained within the tables below (Kravchuk; Kravchuk/Kuchma; Kuchma; Kuchma/Yushchenko; Yushchenko; Yanukovych; Never has been; No answer) were not verbally presented during the interviews and have been utilised simply as the most manageable way

⁶⁴ The prevalence of Russian language in schools and universities during the Soviet era meant that most people aged 30 or above were competent in Russian no matter their native tongue.

⁶⁵ This was due to the predominantly Ukrainian language nature of nearly all the organisations in the West, whereas groups in the remaining three regions were either Russian-language focused or split between both languages. Cultural differences between the West and the rest of the country probably impacted this finding as well.

⁶⁶ Exact wording for all questions may be viewed in full interview questionnaire within the appendix.

to present open-ended data. The categories containing two presidents (Kravchuk/Kuchma; Kuchma/Yushchenko) indicate that a respondent's answer spanned two presidential administrations. Additional possible categories (Yushchenko/Yanukovych) were not included because they were not amongst the dataset. In order to maintain consistency in visual representation across the results, all categories are included in all figures, even for categories that received no answers in a particular region.

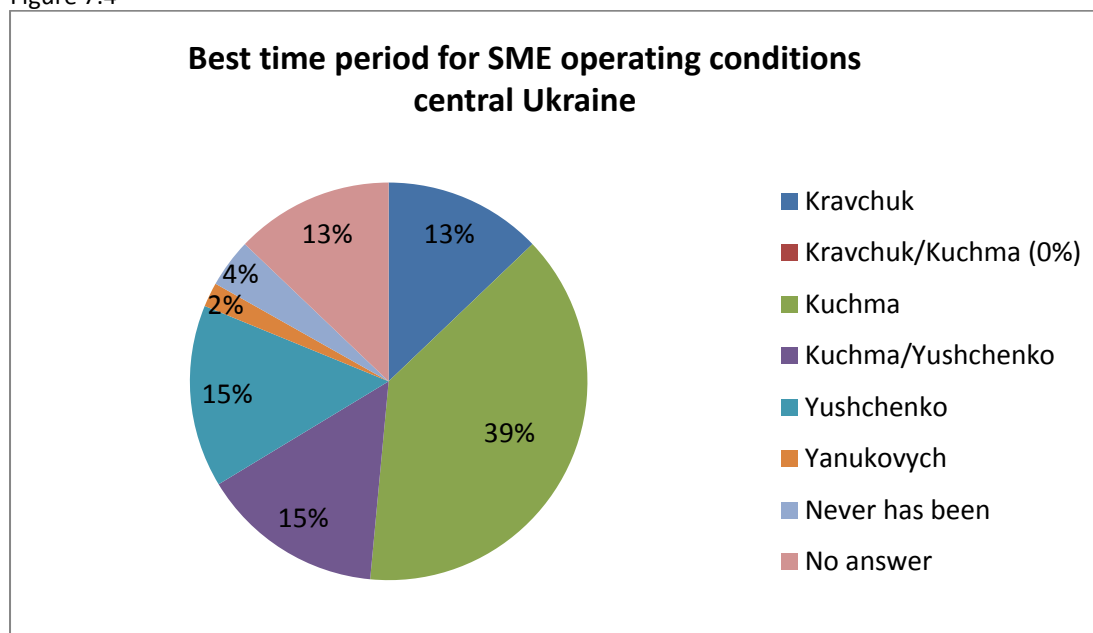
7.3.1 Central Ukraine

For the first two longitudinal questions (general operating conditions and tax-related operating conditions) the data for central Ukraine displayed a clear trend towards Kuchma as having presided during the best time period for SMEs. This was further strengthened by the fact that the joint category for Kuchma/Yushchenko was considered the second best time period in both instances. As the figures below demonstrate, the two categories together accounted for more than half of the results. Throughout the chapter, results are presented as a percentage of respondents, in order to minimise any imbalances in differing number of respondents from each region and demographic.

Table 7.3 - Best time period for SME operating conditions - central Ukraine

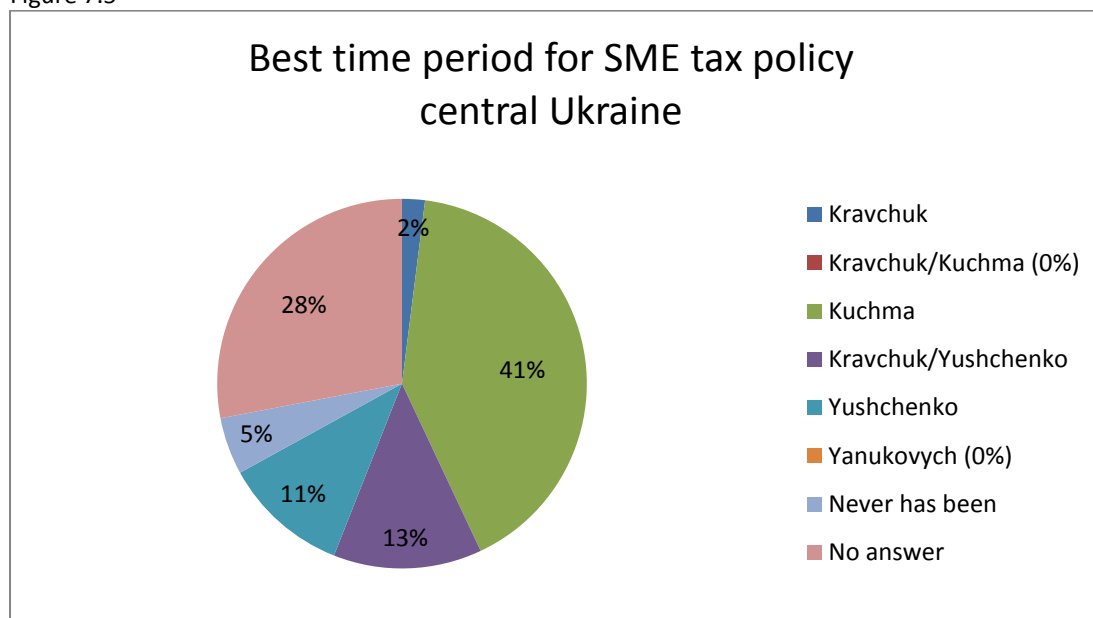
	Overall	Tax Policy	Development Policy
Kravchuk	13%	2%	-
Kravchuk/Kuchma	-	-	-
Kuchma	39%	41%	19%
Kuchma/Yushchenko	15%	13%	7%
Yushchenko	15%	11%	20%
Yanukovych	2%	-	-
Never has been	4%	5%	20%
No answer	13%	28%	33%
Number of observations	54	54	54

Figure 7.4



The similar results from Figures 7.4 and 7.5 shifted somewhat when it came to the question around best time period for SMEs in terms of development programmes and initiatives. In this sphere of activity, it was Yushchenko whose presidency was seen as most beneficial for SMEs. However, the margin by which Yushchenko's administration was preferred above any other was much smaller (only 1%) than the wider margins in favour of Kuchma regarding general

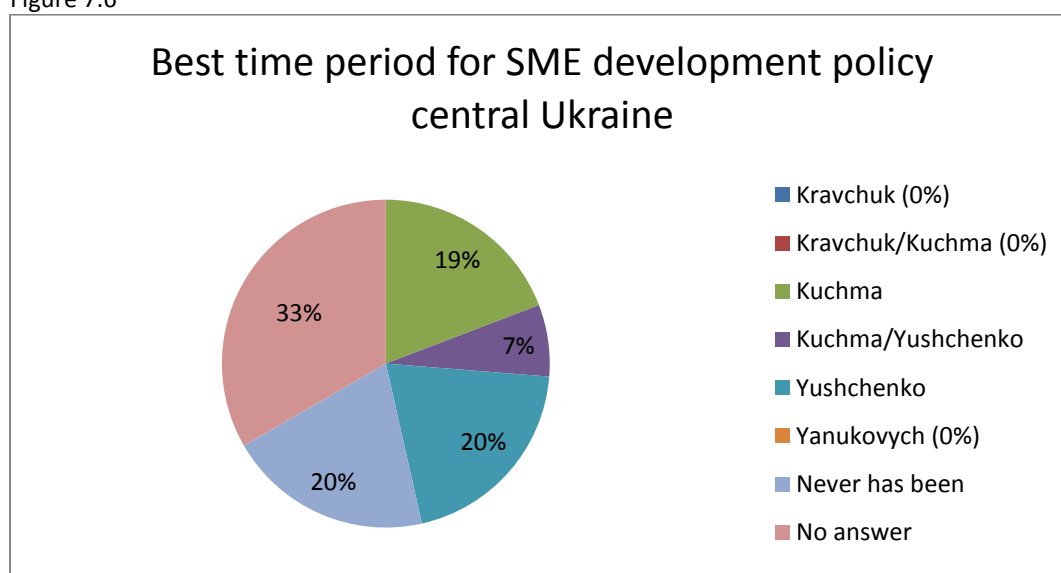
Figure 7.5



business environment and tax-oriented business environment. Furthermore, the number of respondents who did not consider any time period to have been better than any other, or who did not offer an opinion ('never has been' or 'no answer') in regards to development conditions, equalled a far greater combined total than for the first two questions (17%; 33%; 53% respectively). Thus, the resulting conclusions from data around SME development programmes and initiatives were considerably weaker than for the other two questions because of many respondents' omission of a direct answer. This pattern held true beyond central Ukraine for nearly every other region.

In terms of the government during the time of research, the Yanukovych presidency was only considered by 2% of respondents to be providing the best time period for overall conditions. No respondents from central Ukraine considered the Yanukovych period to be the best for either tax environment or development initiatives.

Figure 7.6



7.3.2 Southern Ukraine

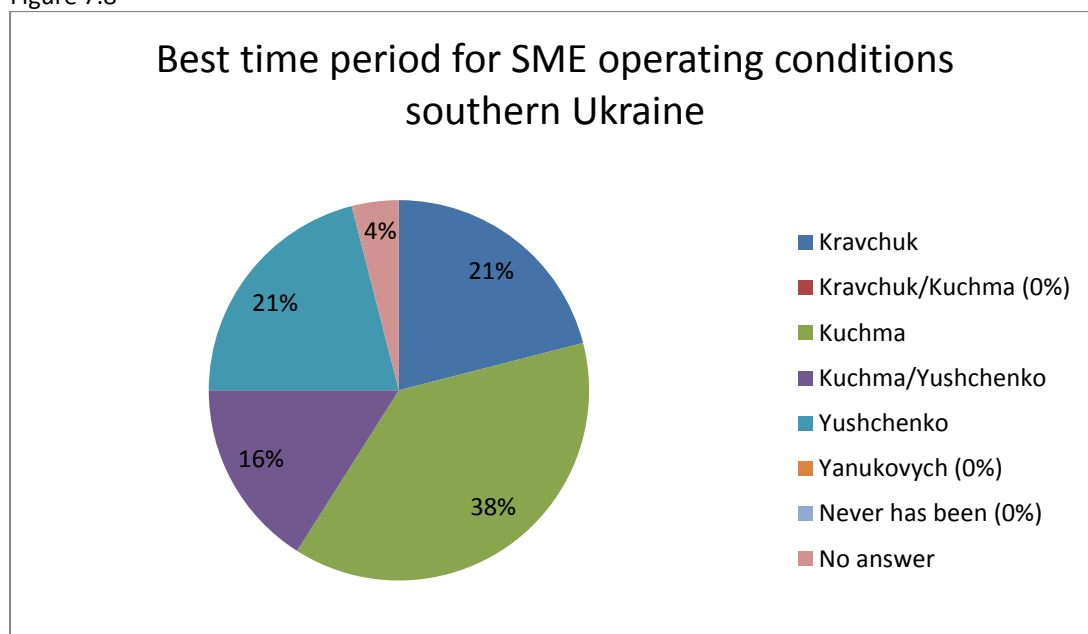
Data from southern Ukraine followed roughly the same trend as that from central Ukraine, in that the Kuchma era emerged as the best for SMEs in terms of both overall conditions as well as tax environment.

Table 7.7 - Best time period for SME operating conditions - southern Ukraine

	Overall	Tax Policy	Development Policy
Kravchuk	21%	4%	4%
Kravchuk/Kuchma	-	-	8%
Kuchma	38%	42%	21%
Kuchma/Yushchenko	16%	21%	17%
Yushchenko	21%	8%	8%
Yanukovych	-	-	-
Never has been	-	-	13%
No answer	4%	25%	29%
Number of observations	24	24	24

Following this era, respondents in the South were evenly split across preferring the Kravchuk era or the Yushchenko era (21% each), at least terms of general operating conditions. This indicated an interesting split in business paradigms within southern Ukraine, as those who preferred the Kravchuk era did so because of the lack of regulation, whilst those who considered the Yushchenko period preferable often cited emotional reasons connected with their hopes for the Orange Revolution.

Figure 7.8



In terms of tax environment preferences, data from Southern Ukraine matched that from other regions, with the Kuchma era as the (nearly) universally preferred time period. A slight outlier from the South included a higher preference for the joint time period across both the Kuchma and Yushchenko administrations than found in any other region.

For development initiatives, respondents in the South considered the Kuchma presidency the best, the only region to have this result. Similarly to central Ukraine (and all regions for that matter), a significant percentage of respondents did not have an answer or did not feel that any time period had been particularly good for development (33% cumulative). And in stark commentary on current conditions during the time of research, southern respondents did not mention the Yanukovych administration as preferred for any of the three questions.

Figure 7.9

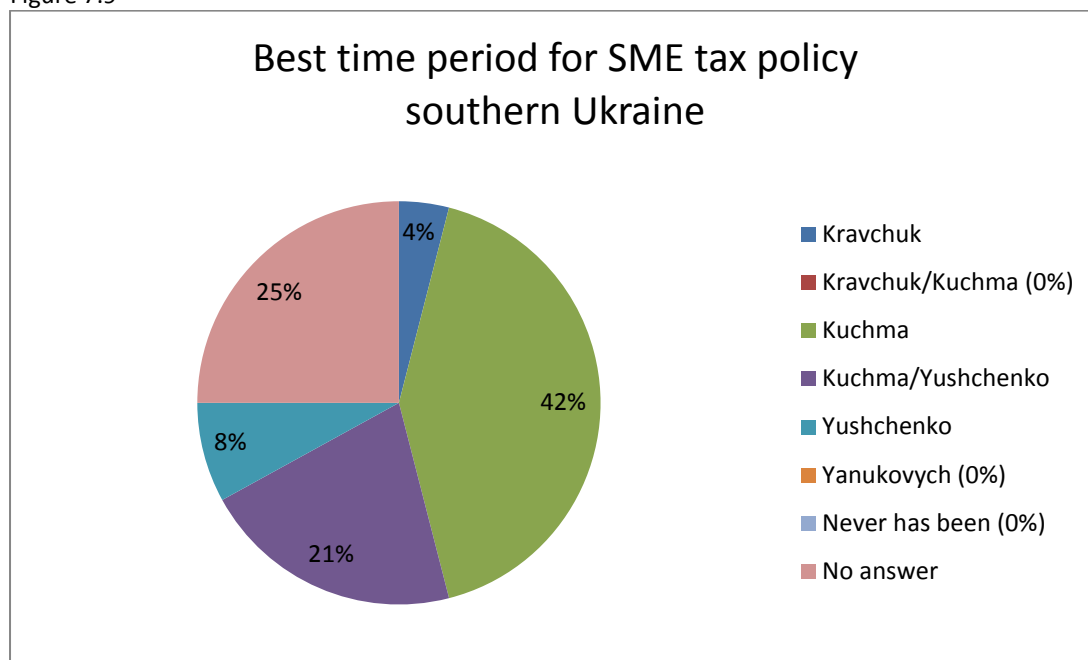
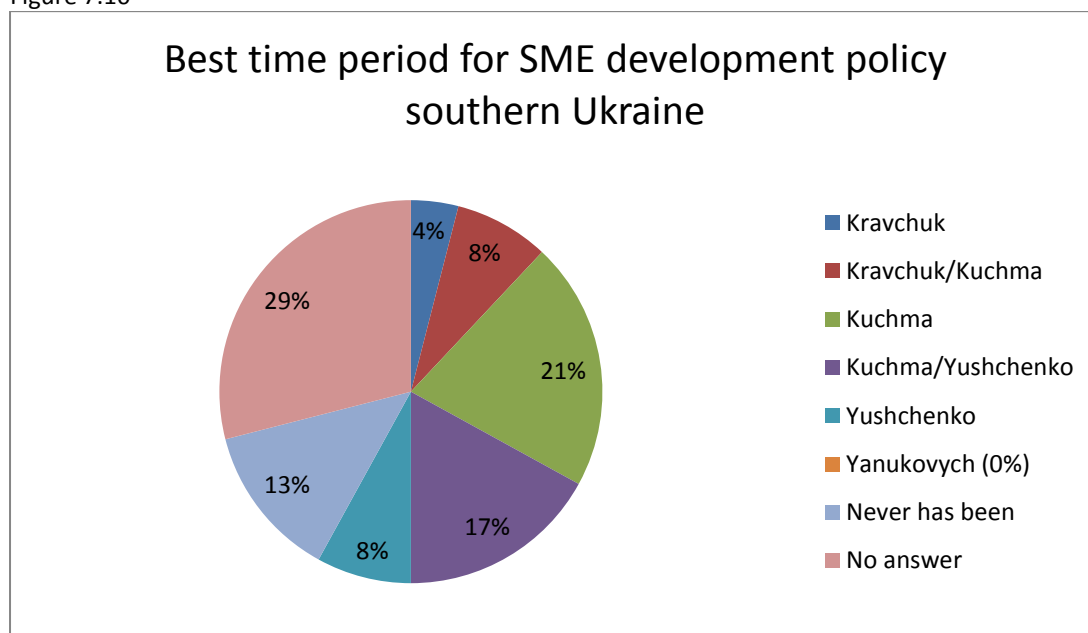


Figure 7.10



7.3.3 Eastern Ukraine

Results from eastern Ukraine were the strongest in favour of the Kuchma period as the best for overall SME conditions as compared to all other regions. This finding is not surprising, considering that Kuchma's support base was in eastern Ukraine, which simply rendered these data a stronger iteration of the same trend already present in other regions. Similarly predictable based on traditional political allegiances was the fact that the Yushchenko period ranked lower in the East for general business conditions than in any other region. Kravchuk's presidency also ranked surprisingly high in the East, within the range of similar findings from both the Centre and South.

Table 7.11 - Best time period for SME operating conditions - eastern Ukraine

	Overall	Tax Policy	Development Policy
Kravchuk	16%	10%	-
Kravchuk/Kuchma	-	6%	-
Kuchma	45%	33%*	13%
Kuchma/Yushchenko	16%	10%	6%
Yushchenko	10%	6%	23%
Yanukovych	3%	-	3%
Never has been	-	3%	26%
No answer	10%	32%	29%
Number of observations	31	31	31

* Artificially rounded up to reflect a full 100%

Figure 7.12

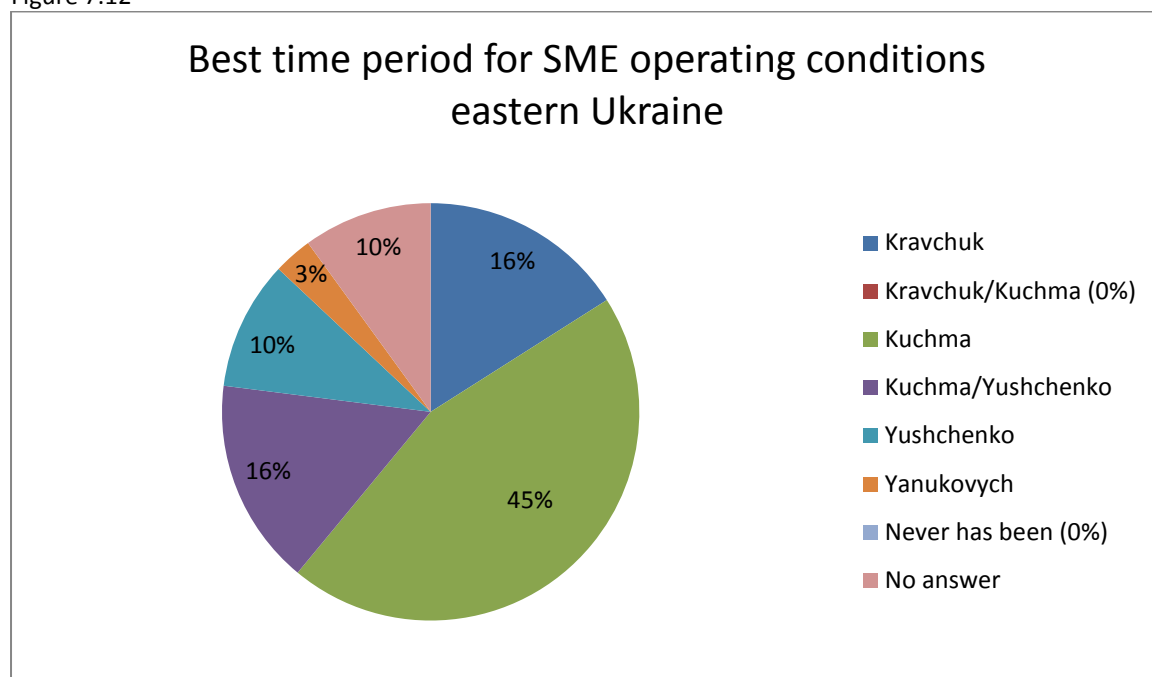
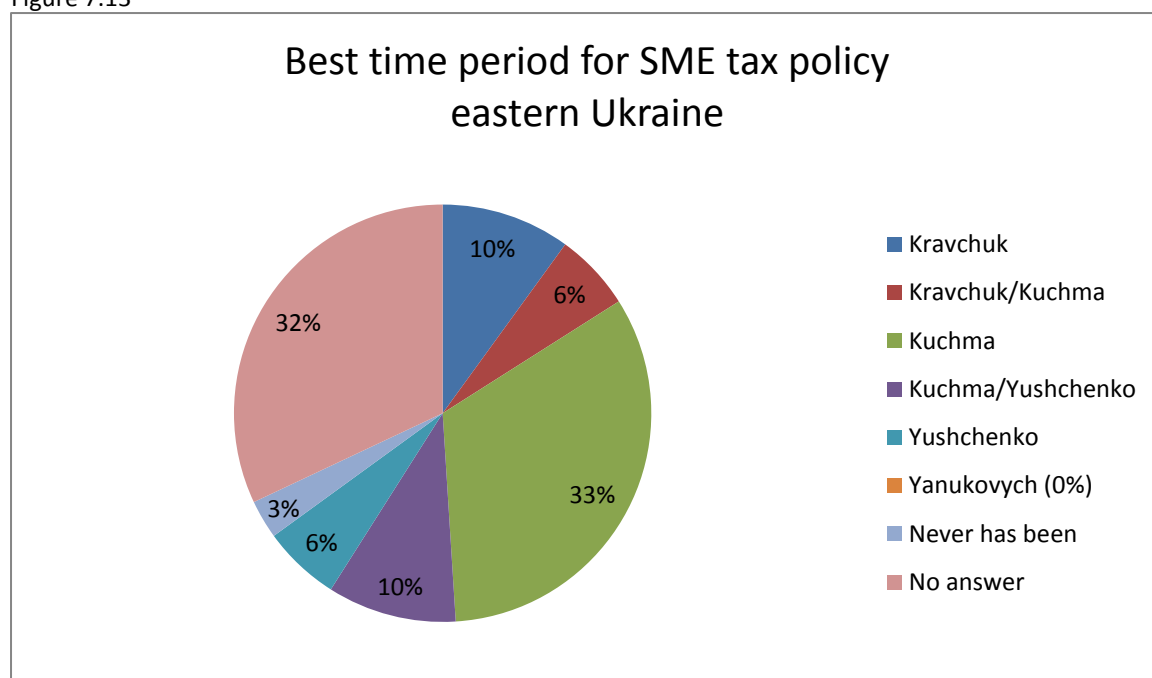


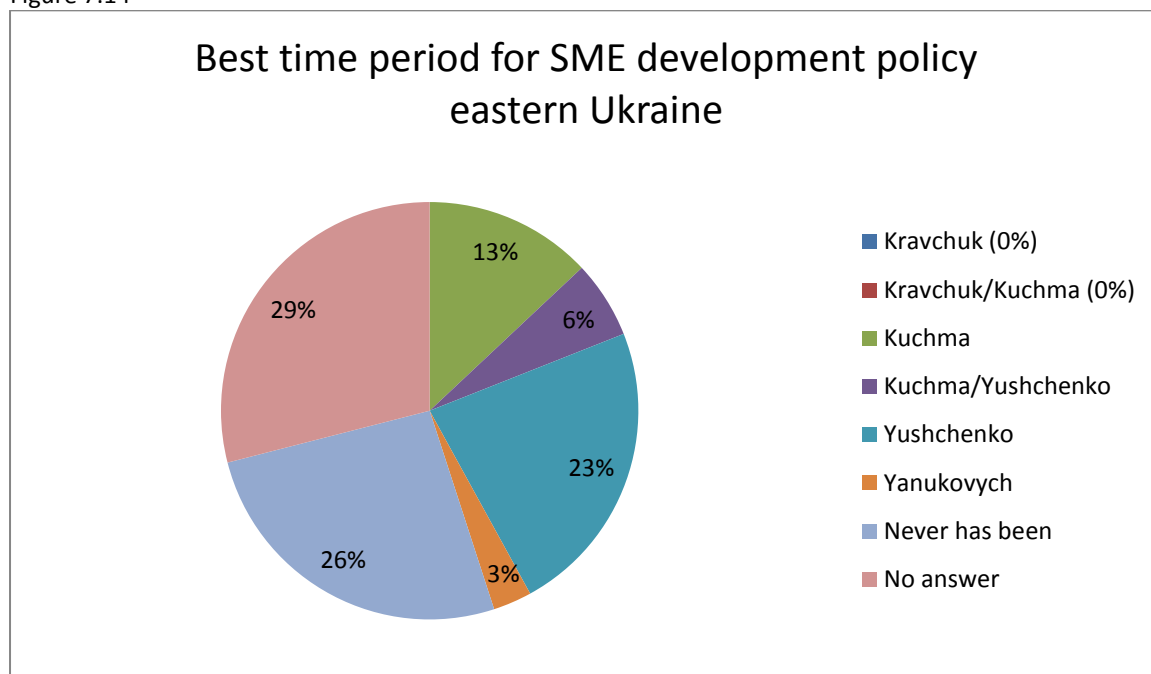
Figure 7.13



Findings for preferred period regarding tax environment from eastern respondents were in keeping with trends from other regions. Kuchma was overwhelmingly seen as having presided over the optimal tax time period, with Kravchuk and Kuchma/Yushchenko following next at a distant second. Interestingly, this ranking for Kravchuk (10%) was higher in the East than anywhere else in Ukraine.

Results regarding development initiatives favoured Yushchenko, and this by a wider margin than in the Centre. However, the combined total of respondents who either did not believe there had ever been a ‘good’ period for development programmes with those who did not have an answer, was again very high (55%). This indicates the continued trend that respondents’ opinions regarding development initiatives were less developed. Finally, in terms of the administration current during data collection, Yanukovych’s presidency featured on two of the three questions in the East, the only region where this time period was present in more than one question. However, for both general operating conditions, as well as development policy, the Yanukovych administration was only preferred by 3% of respondents. The fact that this was true in Yanukovych’s traditional power base attests to just how out of touch his government had become with, not only its supporters, but the wider Ukrainian public.

Figure 7.14



7.3.4 Western Ukraine

Perhaps surprisingly, given the cultural and political differences between this region and the rest of Ukraine, data from western Ukraine was roughly aligned with the rest of the country.

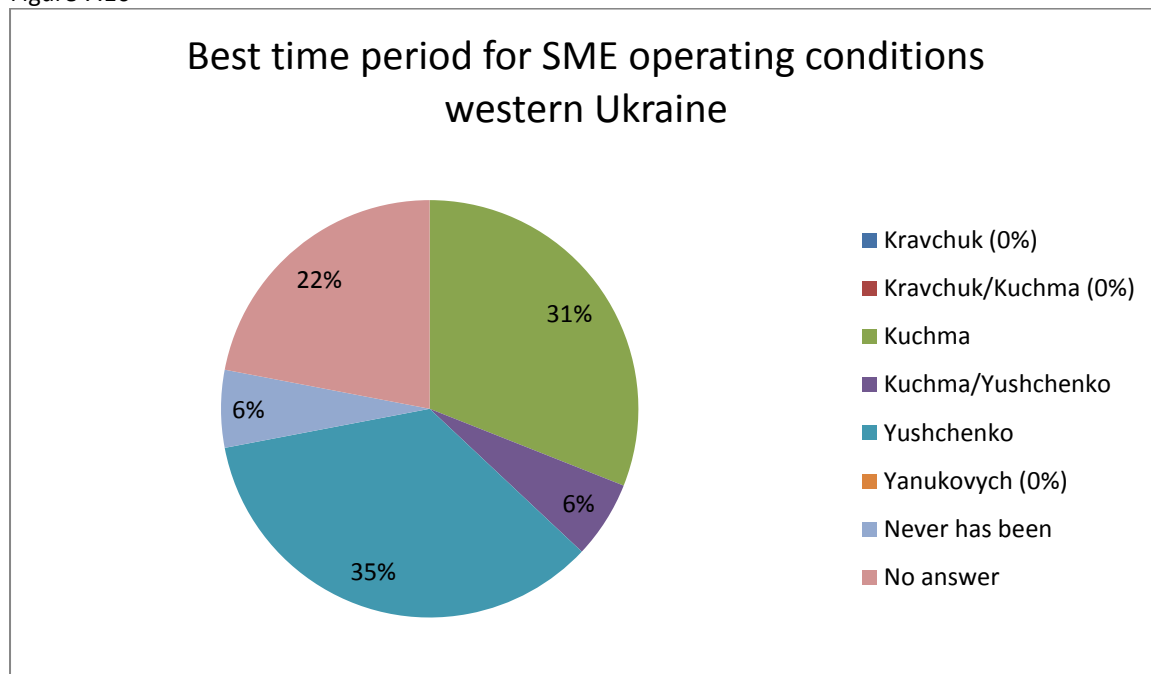
Table 7.15 - Best time period for SME operating conditions - western Ukraine

	Overall	Tax Policy	Development Policy
Kravchuk	-	3%	-
Kravchuk/Kuchma	-	-	-
Kuchma	31%	29%*	9%
Kuchma/Yushchenko	6%	9%	9%
Yushchenko	35%*	6%	19%
Yanukovych	-	6%	-
Never has been	6%	9%	19%
No answer	22%	38%	44%
Number of observations	32	32	32

*Artificially rounded up to reflect a full 100%

A few major differences were noted however. For example, western Ukraine was the only region where the Kuchma period was not deemed best for overall operating conditions. In the West, respondents considered the Yushchenko Administration preferable, though only by a small margin (4%). The West was also the only region where no respondents considered the Kravchuk period to be the best for general business conditions.

Figure 7.16



In terms of tax environment, western Ukrainians preferred the Kuchma Administration, just as the rest of the country. The ranking of other administrations was more or less in keeping with the other regions, with the exception that more western respondents than any other group did not have an answer for this question.

This phenomenon was again observed in regards to development policy, with 44% of western respondents not providing a specific time period in their answer. When combined with those who answered ‘never has been’, the total number of westerners without a firm opinion on the question of development initiatives was 63%. This high percentage perhaps indicates that other factors were at play in these results.⁶⁷ Interestingly, the highest recorded ranking for the Yanukovych Administration of any question within any region occurred in western Ukraine, where 6% of respondents considered this time period the best for tax environment. This finding represented a feeling most prevalent in the West that, although the tax reforms under Yanukovych had been poorly carried out, their basic principles were both necessary and long overdue.

⁶⁷ Additional factors could have included language barriers and/or changes in the political environment across the research time period. Such potential intervening variables are further discussed in Chapter 7.

Figure 7.17

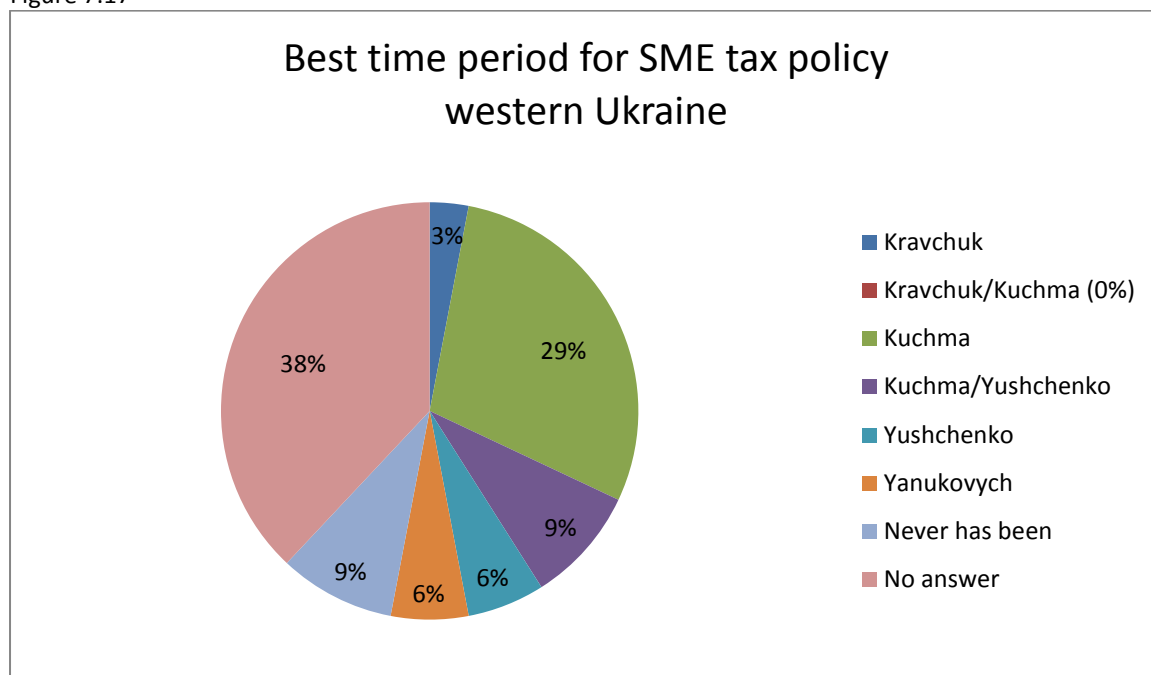
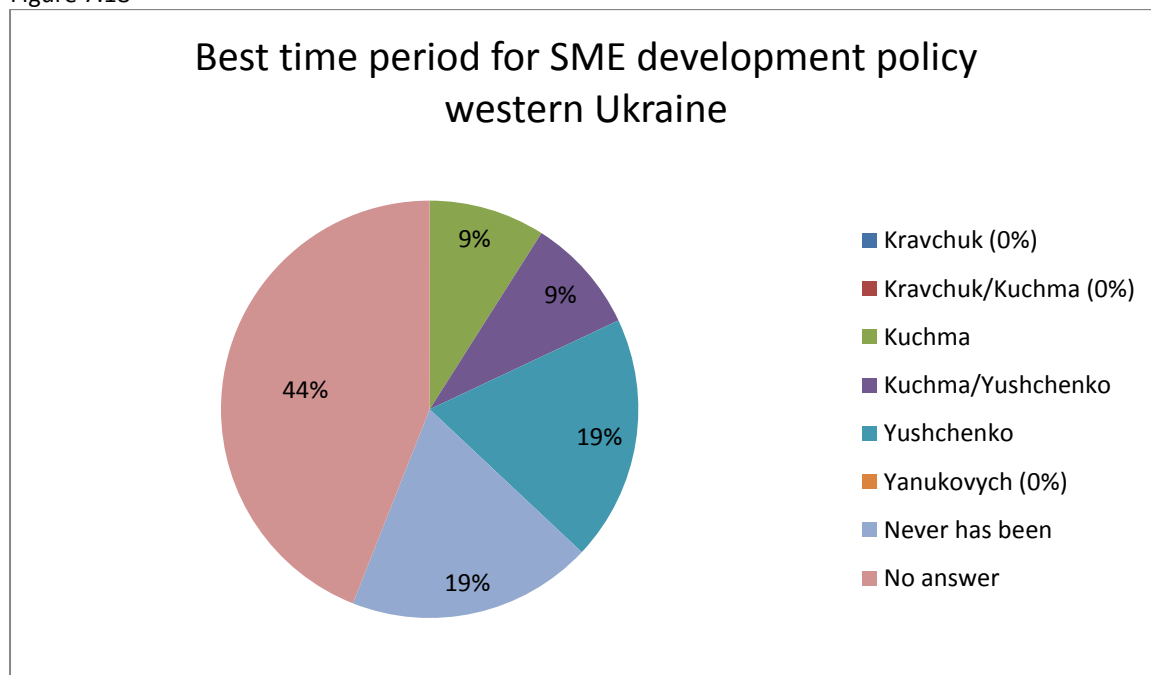


Figure 7.18



7.3.5 Presidential Administrations

This section provides a cross-regional summary of the information presented above, combining results from all regions into one place for ease of comparison. When reading the figures, it is important to note that the bars representing the average for each question were not weighted to account for the number of respondents from each region. Within the figures it is interesting to examine the cross-regional comparison from a presidential point of view.

As detailed in the previous sections, the Kravchuk presidency consistently ranked best amongst 13-21% of respondents for overall business conditions, except for in the West where he scored 0%. As mentioned above, this preference was associated with respondents who preferred the chaos of the early 1990s to the over-regulated years that followed (along with the increase of endemic corruption in the civil service). Such respondents admitted that very

little was ideal about the Kravchuk era but explained that if given the choice, they would have preferred lack of regulations to the current conditions.

Figure 7.19 – Best time period for SME operating conditions – Cross-regional comparison

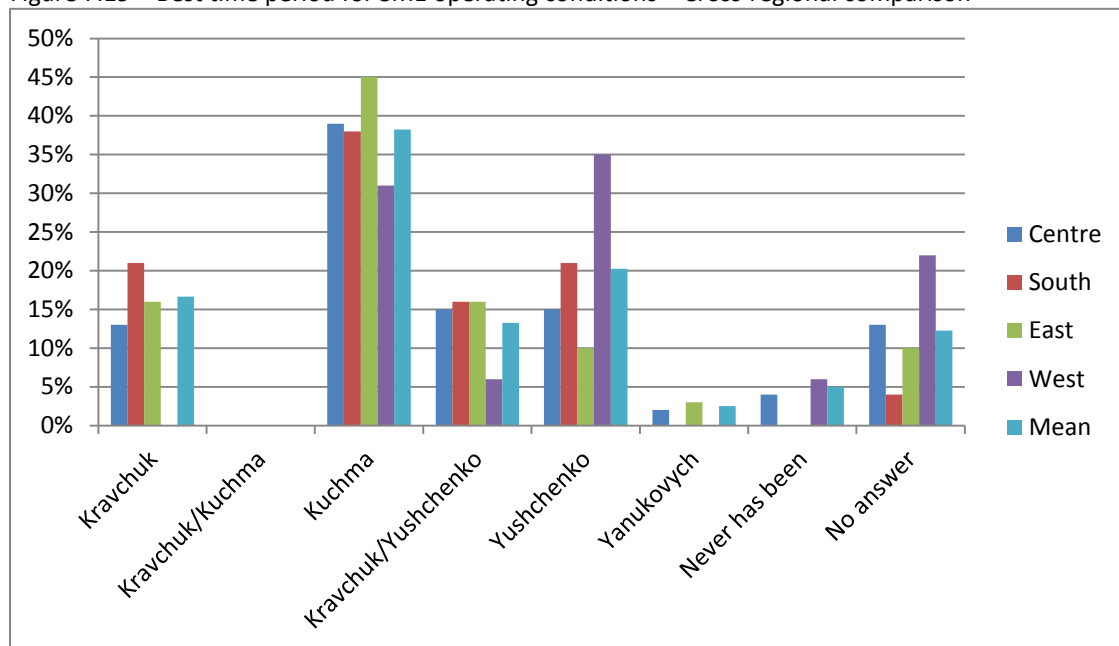
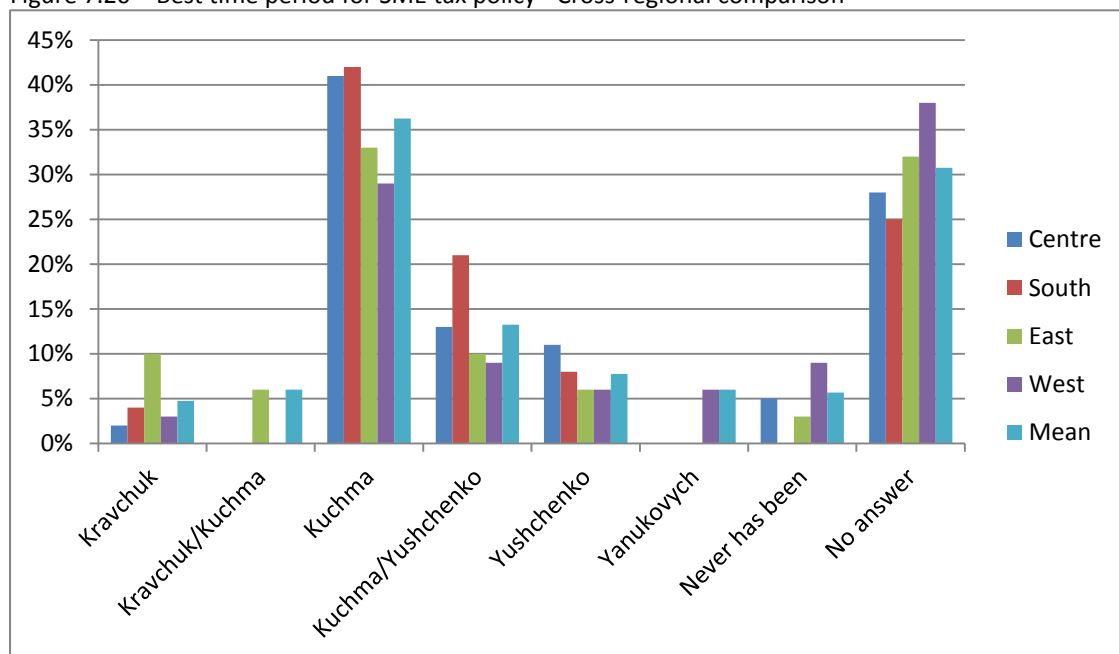


Figure 7.20 – Best time period for SME tax policy - Cross-regional comparison



As outlined in the discussion above, the Kuchma era emerged as one of the best time periods for SMEs in terms of both overall operating conditions and tax policy. The primary outlier to this pattern occurred in western Ukraine, where the Yushchenko period was considered the best time period for business overall. Considering that the West was Yushchenko's stronghold, this result was unsurprising. More significant was the fact that the percentage of respondents who rated Yushchenko most favourably was only slightly more than those who rated Kuchma more highly (a difference of 4%). This demonstrated that even in the anti-Kuchma West, his leadership was still credited with creating the most favourable time period to date for SMEs. This finding extended to preferences around SME tax environments, where Kuchma was leaps and bounds ahead of the other three presidents in terms of creating a favourable tax environment. This is in keeping with the findings presented in Chapter 5, which demonstrated that the

introductory era of the Simplified Single Tax was far and away the best period for SMEs. Many of the respondents who considered the Kuchma years the best explained that, although these years were not without their problems (media censorship, preferential treatment of oligarchs), it was the stability of these years that made them favourable for business conditions.

Results around the Yushchenko period were arguably the most varied, with his administration considered much better by some regions than others. In regards to general operating conditions, for example, the Yushchenko presidency was considered the best by 35% of respondents in the West, while only 10% in the East were of the same mind. As might be expected based on traditional political allegiances, respondents in the Centre and South fell in between these two extremes, with 15% and 21% respectively considering Yushchenko's administration the best for SMEs overall. No other president displayed such a wide range of preferences across the regions, which indicates that regions' experiences under Yushchenko differed from one another more than they did under any other president.

Throughout the four regions and across all three questions, very few respondents considered the Yanukovych era to be the best time period for any point in consideration. In fact, it did not come anywhere close to the most preferred in any single region or demographic. In some regions, the Yanukovych Administration did not even register within the results, and the maximum score received was never higher than 6%. Interestingly, it was in western Ukraine that this highest result for Yanukovych occurred (and was double his next highest in eastern Ukraine of 3% for general operating conditions). As Yanukovych's political base was traditionally in the East, with citizens of western Ukraine being particularly against both him and his political party, Party of Regions, this result demonstrates a potential point of objectivity amongst respondents in the West.

As highlighted earlier, regional results around the best time period for development initiatives were far more diffuse than results around best time periods for tax environment and general operating conditions. Many respondents considered that there had never been a positive period for SME development (significantly more than those who felt the same regarding tax policy), results which aligned with the literature regarding the continued lack of support infrastructure for Ukrainian SMEs. Additionally, the great number of respondents across all four regions who were unable to answer this third question (between 29 – 44%), indicated that pinning down notions associated with the concept of development was a particularly difficult task for most respondents. This was most likely connected to Ukraine's continued economic transition, highlighting the fact that individuals' comprehension of what constituted 'development initiatives' were both diverse and underdeveloped.

Setting aside the undecided answers, the Yushchenko administration was the front runner in three out of four regions for best SME development conditions. Only southern Ukrainians did not consider the Yushchenko presidency to be the best for development policy, although they did consider the time spanning both the Kuchma and Yushchenko periods to be amongst the best. Many made a direct comparison between the relatively good Yushchenko years as compared to the extremely poor conditions under Yanukovych.

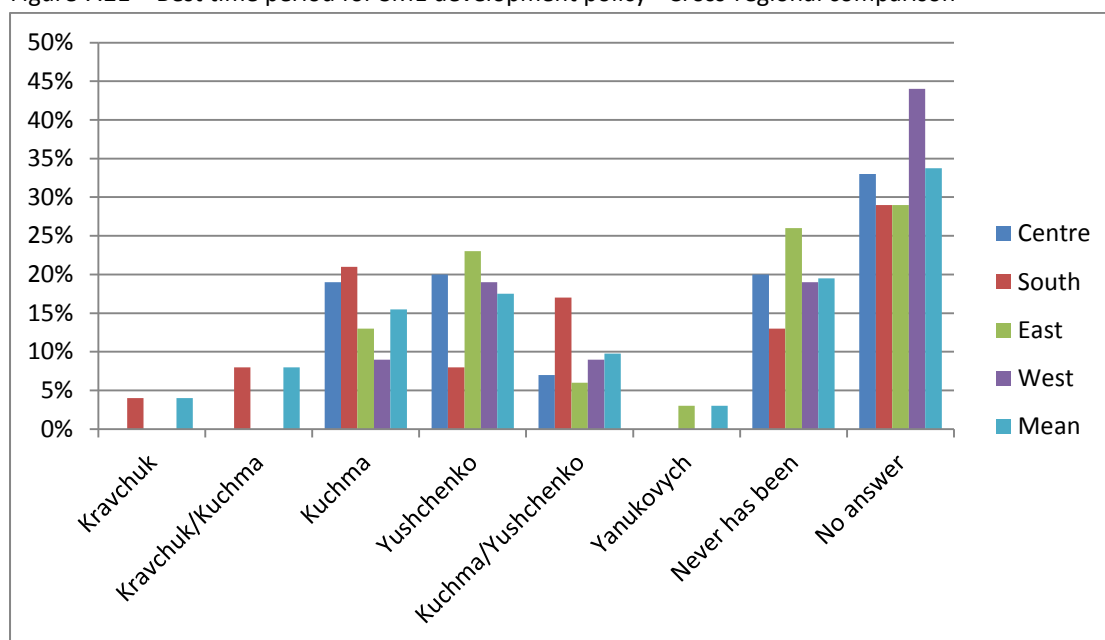
When Yushchenko was in power there were small and medium business, they could develop effectively. Now, under the power of this other party, more emphasis is placed on the development of large corporate enterprise (Interviews, L_C4 (U)).

Everyone says that before the present government, under the previous government, that is Yushchenko and Yulia Tymoshenko, then it was easier (Interviews, L_C7 (U)).

Another trend that emerged amongst respondents who rated the Yushchenko presidency highly in terms of development support was that this time period was regarded most highly for its lack of interference in the business environment, rather than any direct support initiatives. Some carried this conclusion even further, explaining that a lack of interaction between the government and the SME sector came down to internal conflict within the administration, resulting in decreased communication with private stakeholders. This was associated with a lack of competency on Yushchenko's part, with some respondents translating his inability to control his own government into a failure to control the Ukrainian economy. This phenomenon could be characterised as a form of inactive, or passive support, through which Yushchenko was seen to have done well by SMEs by not doing anything.

Another form of inactive support that contributed to Yushchenko's high rating on development programmes came from the broader economic context of the times. The years following the Orange Revolution coincided with a particularly favourable time period for many economies around the world, an international economic boom. The effect this boom produced on Ukrainian SMEs, either directly or by trickle-down, no doubt contributed to the approval rating from stakeholders for this time period. Thus, the fact that Yushchenko emerged in three of four regions as the best president for SME development policy must be tempered with these considerations regarding inactive support.

Figure 7.21 – Best time period for SME development policy - Cross-regional comparison



When considering the results presented here, it is hugely important to keep in mind the particularly difficult circumstances of 2012 during research collection, which would have made previous eras seem preferred by comparison. This arguably caused a phenomenon similar to nostalgia, whereby the past was viewed through rose-tinted spectacles that blocked out hardships of the time. The imprecise nature of recollections are a commonly noted occurrence in interview-based research (Langbein, 2002), usually part of any dataset that concerns past events. However, within this thesis the consistent application of these recollections in favour of the Kucha Administration significantly weighted overall findings in favour of this particular time period. Although the concept of nostalgia was not formally incorporated into the intervening variables of this research, the impact of changing recollections on the research conclusions cannot be discounted. Chapter 9 addresses this finding in more detail, together with other broadly-based factors understood to influence the results of this dissertation.

7.4 Demographic variations in the data: Longitudinal views of SME operating conditions

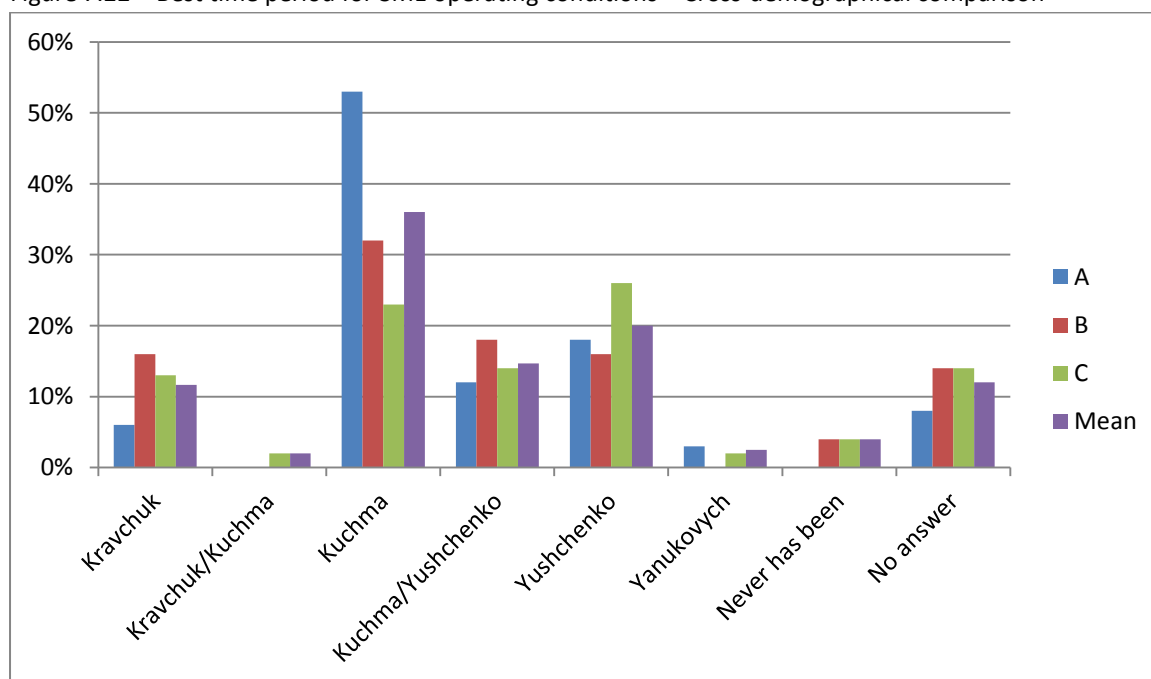
Although data varied less across demographics than it did across regions, significant points of interest remained in differentiation between demographics. This section therefore examines the findings from a demographical point of view, in order to complement the regionally-based data analysis above. However, it is not realistic to provide an archetype of each demographic, as was done above for regional comparisons, largely because clear trends across respondent demographics were not as forthcoming as across regions. Table 7.2 from earlier in the chapter is pictured again below, detailing the total interviews conducted according to demographics.⁶⁸

Table 7.2 – Respondent statistics by demographic

	Male	Female	Total
Demographic A	24	10	34
Demographic B	33	17	50
Demographic C	38	19	57
Total	95	46	141

The figures below summarise the findings from a demographical perspective around the three longitudinal questions around general business conditions, tax environment conditions and SME development conditions.

Figure 7.22 – Best time period for SME operating conditions – Cross-demographical comparison



As these figures illustrate, results from demographics A and B followed similar patterns. Both demographics considered the Kuchma era best for overall business conditions although A did so to a notably greater degree. In fact, more respondents from Demographic A ranked the Kuchma presidency best for business than any other single category (53%). Both demographics A and B considered the Yushchenko administration next best, followed by the combined timespan of Kuchma/Yushchenko.

⁶⁸ The demographics were described in detail in Chapter 2. By way of refresher they included: Demographic A - members of government (ministers, members of parliament, regional administrators, and city councillors), civil servants (national, regional and municipal), and researchers (government-based centres); Demographic B - researchers (professors, independent academics and think-tank analysts) and NGO representatives (domestic and international); Demographic C - SME owners and SME-oriented business associations and organisations.

Figure 7.23 – Best time period for SME tax policy – Cross-demographical comparison

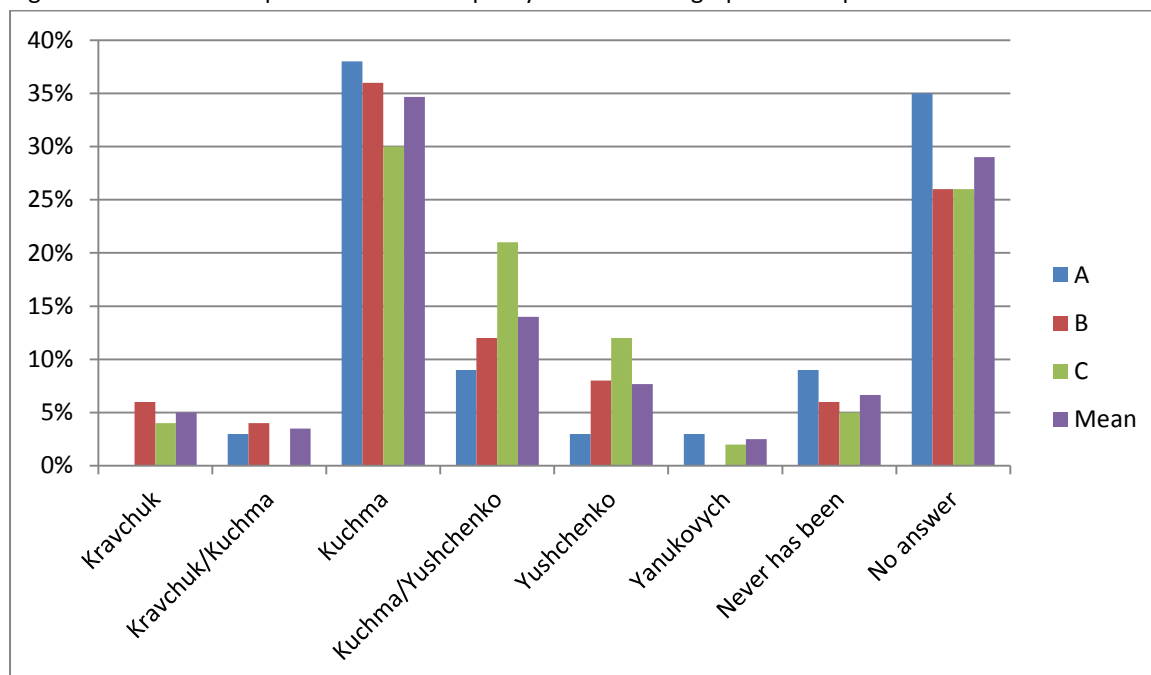
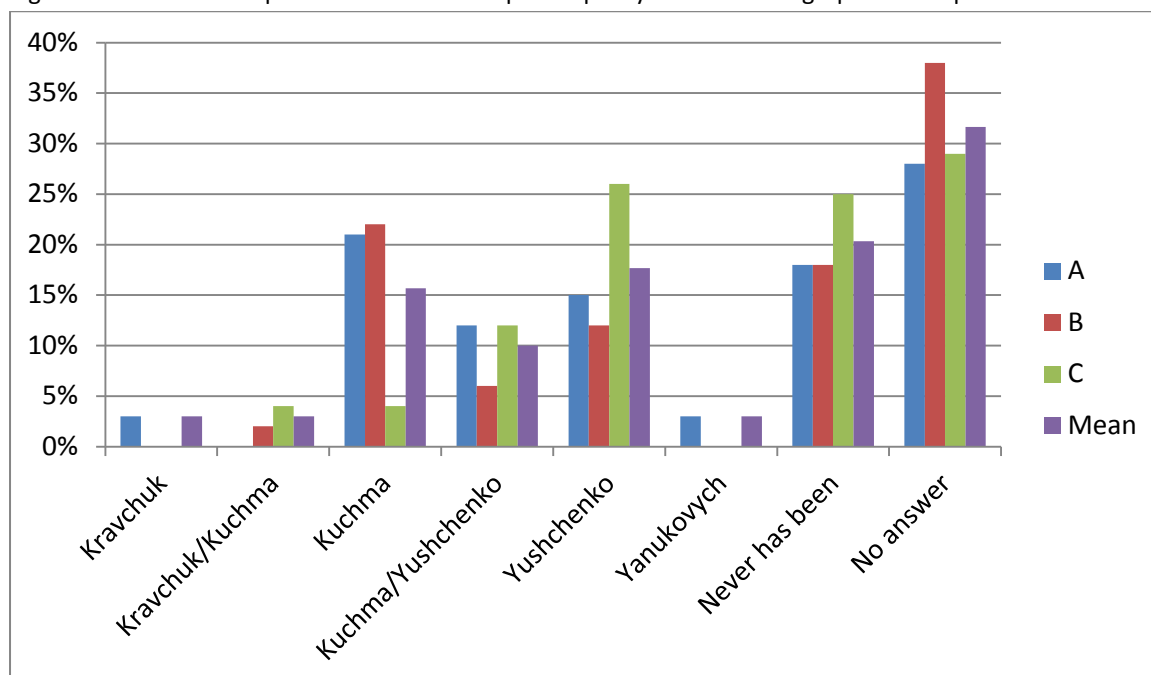


Figure 7.24 – Best time period for SME development policy – Cross-demographical comparison



A point where the two demographics diverged was in regards to Kravchuk's impact, with a number of respondents from Demographic B ranking his administration as the best for overall business conditions (16%). Another point of divergence occurred for respondents who chose not to answer the question, with relatively fewer from Demographic A making this choice than any other demographic.

Similarly to data regarding overall business environment, findings from demographics A and B more or less mirrored each other for tax environment and development programmes as well (Figures 7.21 and 7.22). It was the findings from Demographic C that varied more significantly from the other demographics, with notable differences across all three topics. In regards to tax policy, Demographic C found Yushchenko's Administration most favourable, followed by the joint time spanning both Kuchma and Yushchenko, with Kuchma and the other ranking lowest. In regards to SME development policy, Yushchenko again ranked most highly amongst respondents from Demographic

C, with Kuchma receiving almost no support in comparison with Demographics A and B. Overall, Demographic C had the highest approval rating for Yushchenko and showed considerably lower than the other demographics for Kuchma.

7.5 Quantitative Data

In addition to the qualitative dataset resulting from the semi-structured interview questionnaires, this research also administered short surveys (five questions) that resulted in a more traditional quantitative dataset. As outlined in Chapter 2, respondents completed surveys following interview questionnaires.

Table 7.25- Survey respondent statistics by demographic and region⁶⁹

	Centre	South	East	West	Total
Demographic A	7	7	9	10	33
Demographic B	23	5	11	12	51
Demographic C	21	41	20	12	94
Total	51	53	40	34	178

The total number of surveys was greater than the total number of interviews (141), as additional organisational actors present at the end of an interview were also invited to take the survey. The high number of surveys completed in the South from Demographic C (and to a lesser degree in the East from Demographic C) arose from group discussion settings. Survey data was therefore biased the data towards such respondents' perceptions, and for this reason results have first been displayed in Table 7.26, so that the influence of the unequal distribution may be taken into account.

Rather than direct experience with policy implementation, surveys were designed to measure respondent perception of stakeholder influence on the SME policy process and included the following questions:

1. How much influence do you think business groups, associations and research centres have today on how tax policy is made?
2. How would you rate your communication levels with such groups when you work with them?
3. How much influence do you think business groups, associations and research centres have today on how SME development programmes are carried out?
4. What kind of role does your local government play in SME development policy?
5. How much influence do international actors have on policy making affecting SMEs in the Ukrainian government?⁷⁰

All questions were asked on the basis of a 1-5 Likert-type scale (Krosnick & Fabregar, 1997), where 1 indicated 'low level of influence or involvement' and 5 indicated 'high level of influence or involvement'. The results were a wide-ranging spread of data around respondents' perceptions of actor influence on policy process. Cross-tabulation techniques were used to analyse survey data and are summarised in the following figures (Table 7.26, Figure 7.27, Figure 7.28).

⁶⁹ The total number of surveys (178) represents only those surveys counted during data analysis, as this thesis discounted surveys where fewer than three questions were answered.

⁷⁰ Full survey questionnaires are included in the appendix.

Table 7.26 – Mean responses to survey questions - Region*Demographic

	Centre			South			East			West		
	A	B	C	A	B	C	A	B	C	A	B	C
Q1 - Business group and NGO influence on SME tax policy ⁷¹	2.50	2.68	2.50	1.83	2.75	2.00	3.83	2.67	3.05	2.90	2.50	3.00
Average	2.58			2.04			3.09			2.77		
Q2 - Respondent communication levels with business groups and NGOs	2.67	2.79	2.70	2.00	2.75	2.21	3.67	2.89	3.15	2.70	2.50	2.44
Average	2.73			2.22			3.15			2.55		
Q3 - Business group and NGO influence on SME development policy	3.33	3.79	3.15	2.17	3.50	2.03	3.33	4.22	3.20	3.50	3.00	3.89
Average	3.44			2.16			3.49			3.42		
Q4 - Local government role in SME development policy	3.17	2.79	2.15	2.17	3.75	2.33	3.67	3.00	2.85	2.50	3.42	2.78
Average	2.56			2.43			3.03			2.94		
Q5 - International actor influence on SME development policy	3.33	2.68	2.85	2.67	3.25	2.38	3.00	2.44	2.85	3.20	3.33	3.00
Average	2.84			2.49			2.77			3.19		

The highlighted results in Table 7.26 represent those averages that were particularly high or particularly low on the 1-5 scale. It is important to note that the threshold for considering a result to be of note was deemed to be those within 10 percentage points of each extreme (rank of 2 or 4) and was a different type of calculation than that of statistical significance.⁷² The results from Table 7.26, together with additional data around the mean responses by demographic, are summarised in Figures 7.27 and 7.28.

⁷¹ As detailed in the full survey questions above, NGOs in this context referred to those organisations that had an SME-specific component to their programmes.

⁷² One result from the eastern region, Demographic B was also included (Q3) for being significantly higher than the extreme (4).

Figure 7.27 – Mean responses to survey questions by region

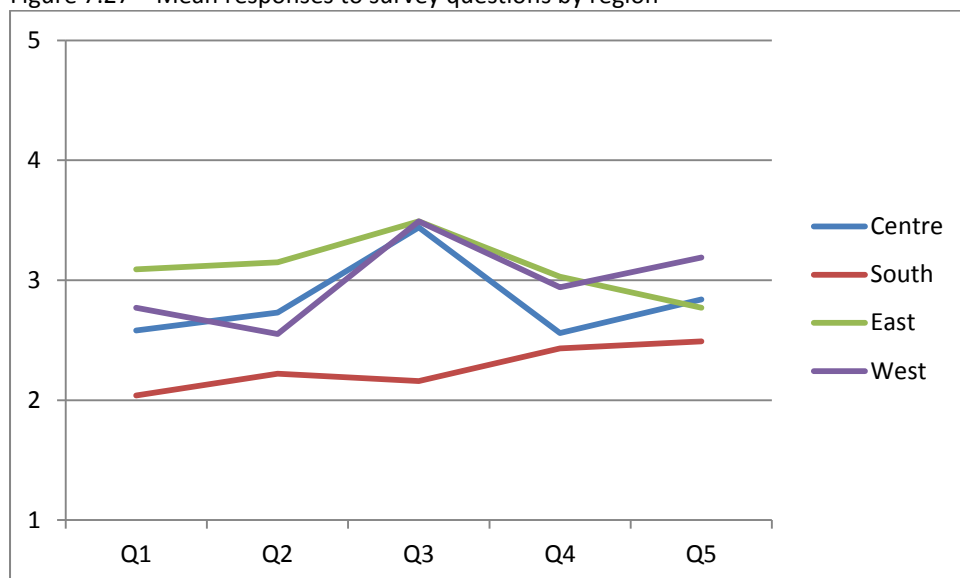


Figure 7.28 – Mean responses to survey questions by demographic

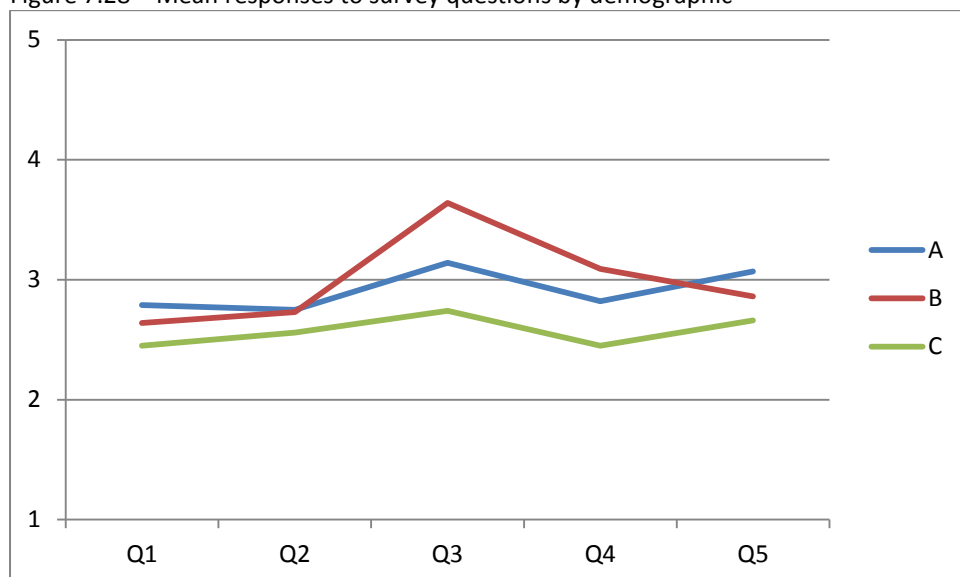


Figure 7.27 demonstrates that respondents in the South held more negative perceptions around stakeholder ability to influence policy process than respondents in other parts of the country. By contrast, respondents in the East held more positive perceptions overall, notwithstanding Question 5 (influence of international actors on SME policy). These findings corresponded to the earlier qualitative findings detailed under Section 7.2 on regional characteristics, as the disorganised networks of southern Ukraine could have contributed to an overall feeling of negativity and hopelessness regarding stakeholder influence in policy processes. By comparison, the well-networked links between SME associations, SME-oriented NGOs and government-based SME support centres in eastern Ukraine, may have been a key factor in largely (more) positive perceptions around stakeholder influence. Additionally of interest was the fact that respondents from the Centre and the West felt notably more positively around Question 3 (influence of business groups, associations and research centres on SME development programme implementation) than any other question. This could have indicated the strength of Demographics B and C in those regions, seen as their own commentary around the importance they attributed to their own roles in the policy process.

In Figure 7.28, Demographic C stood out as holding more negative perceptions than the other two demographics. This was no doubt connected to the many SMEs that comprised Demographic C, whose day to day business involved running their firms, rather than interacting directly in policy processes (such as actors from Demographics A and B). Additionally, as SMEs were also the policy targets in question, respondents from Demographic C would have felt a greater negative impact from poorly implemented policies, which may well have influenced their overall perceptions. Of particular note was the positive peak in responses by Demographic B to Question 3 (influence of business groups, associations and research centres on SME development programme implementation). Similarly to findings represented in Figure 7.27, this result may well have represented the importance that NGO and research centre actors attributed to their own activities.

Another way of considering the quantitative data was on the basis of responses to individual survey questions, displayed according to percentages of answers in order to account for imbalance across regions and demographics. The results below correspond to Question 4 (role of local government in SME development policy) for both regional and demographical spread.

Figure 7.29 – Perception of local government role in SME development policy- Cross-regional

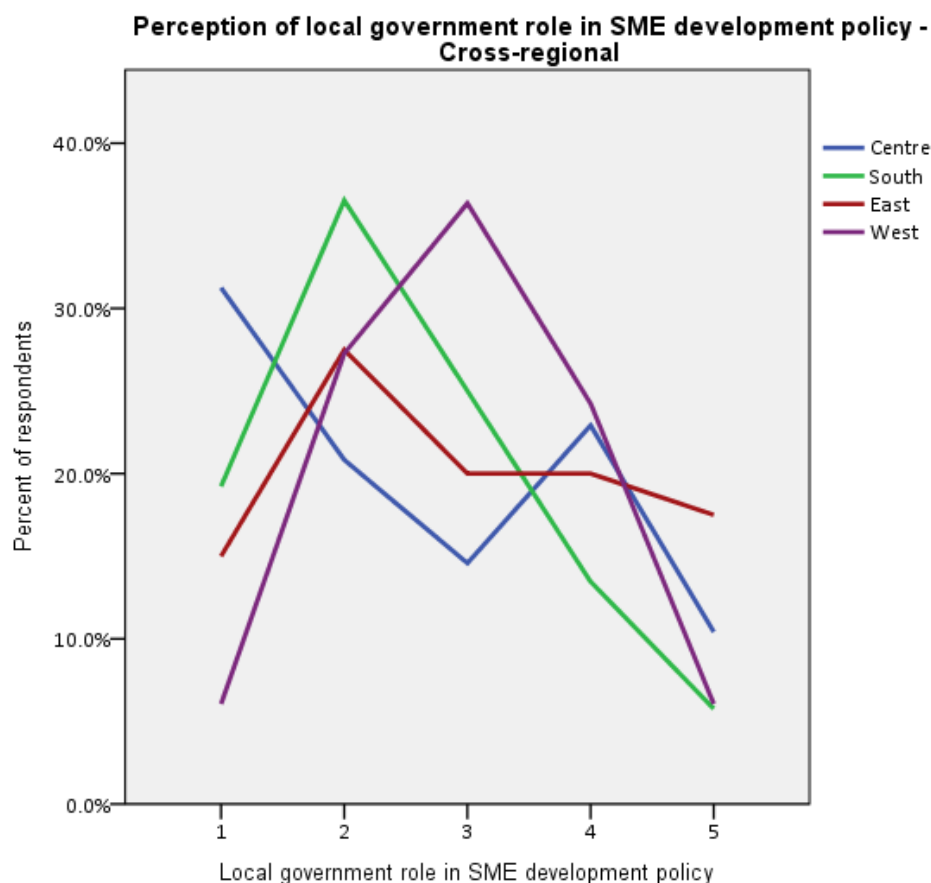
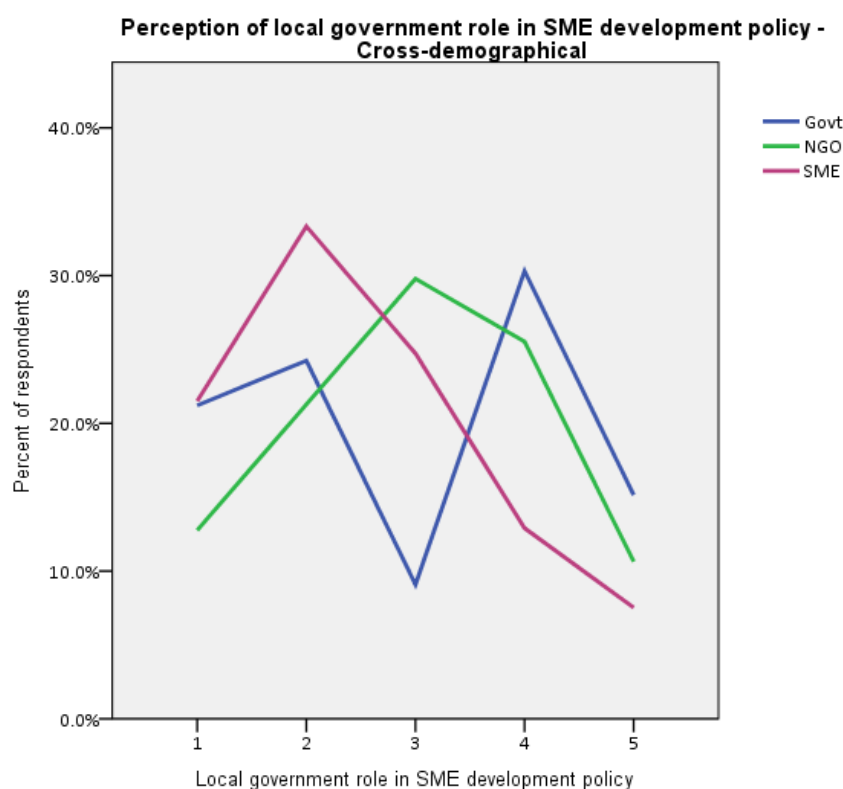


Figure 7.30 – Perception of local government role in SME development policy- Cross-demographical



Figures 7.29 and 7.30 confirm the continued trend of the southern Region and Demographic C harbouring more negative perceptions around SME policy influence and support than other respondents. The peaks in both these figures demonstrate that the highest percentage of respondents felt most negatively (by answering 2 on the 1-5 scale) for both Region South and Demographic C. This was consistent with the findings throughout both the quantitative and qualitative datasets. The appendix includes figures similar to 7.29 and 7.30 for the other survey questions.

7.6 Preliminary Conclusions

Prior to introducing the proposed new model for policy implementation in post-Soviet states, several preliminary conclusions are discussed, relating to both case studies as well as the overall SME operating environment. As many of these findings are not directly reflected in the AIC model elements, these preliminary conclusions lay the groundwork for the newly proposed implementation criteria detailed in full during Chapter 8.

7.6.1 Simplified Single Tax

The fact that the Single Tax continued relatively untouched for over a decade made reforms difficult to enact. After ten years of natural inflation and unaltered single tax rates, during which the flat tax payment had shrunk to a very small percentage of business revenue, the sudden introduction of tax reforms was a shock to the system for many SMEs. Therefore, although the literature and research data demonstrated that tax reforms were overdue (Giucci, Kirchner, Betliy, & Otten, 2010), with many respondents supporting them in theory, their poorly managed implementation made them extremely unpopular. Beyond this latent unpopularity, the lack of clear communication with stakeholders created a severe public backlash, resulting in negative assessments of the Yanukovych

Administration (as compared to the Kuchma Administration that presided over the ‘golden’ era of the Single Tax). Micro-firms tended to be more negatively affected by the reforms than other SMEs, which may have pointed to the fact that the reform process was part of the natural business cycle by which firms naturally ‘die’ out (Schumpeter, 1961). The prevalence of micro-firms also spoke to the traditional to the SME make-up of transition nations, where a great number of businesses may be operating as subsistence traders (proprietors) rather than entrepreneurially-minded firm owners.

Despite the public backlash around reforms to the Single Tax, direct tax rates and payments were not the factors comprising the primary tax burdens. Ongoing obstacles were caused more by burdensome administrative procedures and the continued system of illegal inspections and unauthorised payments (bribes) than by the impact of base tax payments on firm profits. The prevalence of these informal tax institutions have thus contributed significantly to the overall level of inefficiency within the Single Tax implementation and reforms, although confronting such obstacles is considerably less straight forward than with formal policy processes. Widespread bureaucratic corruption and non-transparent tendering processes further altered the tax environment, with many SMEs feeling that their interests came second only to those of large corporations.

Finally, an overly centralised government power structure prohibited meaningful incentive building at the local and regional (oblast’) level. This restricted the degree to which city councils and regional administration were able to take ownership of tax policy problem solving, which resulted in a sense of powerlessness that created disincentives towards enacting improvement in the SME tax policy environment. This may be viewed as part of the lacking stakeholder interactions throughout the implementation process, as local and regional actors represent stakeholders in their relation to the central government. Therefore, although the Single Tax made valuable contributions at some levels of governance, the mismanagement behind its reforms created difficulties that are still present today.

7.6.2 SCURPE

Although SCURPE formally held a mandate to develop support mechanisms for SMEs, including reduction of administrative and regulatory obstacles, to a large degree this policy existed on paper only. Many elements of SCURPE were therefore closer to placebo (or imitative) policies than to fully intentional programmes, which prevented their effective implementation. Furthermore, a lack of horizontal power structures prevented meaningful regional and local level initiatives for SME development, the continued influence of highly-centralised governance structures. Finally, the government did not possess an overarching strategic vision for Ukrainian SMEs, nor did there seem to be any critical attempts to incorporate successful examples from neighbouring countries with similar conditions. Thus, there was no guiding direction for SCURPE to follow, which made adhering to broader strategic goals unrealistic. SCURPE was thus expected to operate with an incomplete mandate as well as unpredictable support mechanisms, to enact under-specified policy goals. Although SCURPE was understood to be more effective during the Kuchma and Yushchenko eras than during the Yanukovych presidency, respondents had difficulty specifying SCURPE’s influence on the wider SME landscape. Finally, the stop-start nature of SCURPE over the years was testament to the difficulty of its objectives amidst inconsistent messaging and operating environments.

7.6.3 Overall business environment

Beyond the specifics around the individual policy cases, several broader findings around the overall business environment further contributed to implementation considerations. Continued (albeit inconsistent) government efforts to draw SMEs out of the shadow economy appeared to be somewhat effective, as many entrepreneurs preferred to operate in the real economy given appropriate conditions. This indicated an important willingness amongst the policy targets (SMEs) to operate in an open, transparent fashion, given the appropriate levels of support and reduced administrative obstacles. Where institutional barriers were too high (costly), SMEs predictably slid back into the shadow economy, at least in part. The increase in number of openly-operating small firms following the introduction of the Single Tax, and the subsequent decrease following the quickly-enacted reforms (Section 5.2), confirmed this pattern.

SME business associations played an important role in bringing individual firms together under one umbrella to increase the strength of their voice. Indications were that these efforts were growing stronger, coupled with important education tactics amongst domestic and international NGOs. However, the leaders of SME associations frequently strayed into political territory, thereby alienating many of their network contacts. This ‘undid’ some of the progress made towards bringing SME stakeholders together, as previously existing political allegiances caused divisions within SME business groups. Furthermore, the goals of these associations tended to be above and beyond their resourcing capabilities, which often resulted in a large number of objectives left unmet. Beyond these inadequacies of the business associations, many SMEs simply lacked motivation to become involved in business advocacy efforts, often due to lack of time or failure to understand the increased effectiveness of joint efforts. This can partly be attributed to the prevailing social milieu, often termed a ‘soviet mentality’ (Kuzio, 2011), by which going above and beyond the minimum effort was not understood to be worth the effort. Finally, many SMEs lacked trust in their government, often preferring to be left alone as the most positive form of SME ‘policy’, a finding which is not specific to post-Soviet environments (Fischer-Smith, 2013). These highly pessimistic ways of understanding government-business and government-advocacy relationships represented a significant psychological barrier in terms of improved interaction from SMEs themselves towards improving the business environment.

Several additional, institutional factors also impacted the overall business environment. Firstly, frequently changing legislation across all sectors rendered implementation compliance difficult, as keeping up with required changes was often a fulltime job in and of itself. Some of the business associations proved of great use to their members in this arena, providing forums and regular updates around changes and their expected impact. Secondly, policy implementation efforts were weakened by a dearth of skilled and/or educated employees in civil service positions, meaning that implementation processes tended to be overly complicated or poorly carried out. Under-educated civil servants seemed less likely to become involved education campaigns themselves, resorting instead to accomplish the bare minimum in order to maintain their positions. Without functional incentives towards improved performance, this stagnancy was perhaps one of the most damaging elements to the wider business environment, with apathy often outweighing the will to change.

Many of the conclusions posited here represent considerations that are not part of the theoretical AIC model on which this dissertation is structured. Their incorporation into a reworked implementation model is presented in Chapter 8 as part of the newly proposed Fischer-Smith Implementation Model for Post-Soviet States (FSPIMPS).

References Cited

- Audretsch, D. B. (2002). *Entrepreneurship: Determinants and Policy in a European-US Comparison*. Boston: Kluwer Academic Publishers.
- Delgado, M., Porter, M. E., & Stern, S. (2010). Clusters and entrepreneurship. *Journal of Economic Geography*, 10, 495–518.
- Fischer-Smith, R. (2013). The Earthquake Support Subsidy for Christchurch's Small and Medium Enterprises: Perspectives from Business Owners. *Small Enterprise Research*, 20, 40-54.
- Giucci, R., Kirchner, R., Betliy, O., & Otten, T. (2010). Reforming the Simplified Taxation for Individual Entrepreneurs in Ukraine *Policy Paper Series [PP/05/2010]*. Berlin/Kyiv: German Advisory Group; Institute for Economic Research and Policy Consulting.
- Interviews. (2012). *Policy Implementation in a Transition Economy: Two decades of Small and Medium Enterprise Development in Ukraine*. Interviews conducted with Ukrainian SME key informants (Ruth Fischer-Smith). University of Canterbury.
- Krosnick, J. A., & Fabregar, L. R. (1997). Designing Rating Scales for Effective Measurement in Surveys. In L. Lyberg, P. Biemer, M. Collins, E. d. Leeuw, C. Dippo, N. Schwarz & D. Trewin (Eds.), *Survey Measurement and Process Quality*. New York: John Wiley & Sons, Inc.
- Kuzio, T. (2011). Political Culture and Democracy: Ukraine as an Immobile State. *East European Politics and Societies*, 25(88).
- Langbein, L. I. (2002). Responsive Bureaus, Equity, and Regulatory Negotiation: An Empirical View *Journal of Policy Analysis and Management*, 21(3), 449–465.
- Schumpeter, J. A. (1961). *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle*. Cambridge, Mass.: Harvard University Press.
- Smereka, O. (2012, July). A Fragile Democracy. *The Ukrainian Week*, 11, 8-11.
- U.S. Agency for International Development. (2012). *Local Investment In National Competitiveness: Ukraine*. Retrieved from <http://usaidlandtenure.net/project/local-investment-national-competitiveness-ukraine> on October 25 2014.
- Ukrainian Center for Independent Political Research. (2010). Political Risks and Political Stability in Ukraine: UCIPR Document on Political Risk Assessment. *A Change in the Balance of Forces: the Content of the Political Process Six Months after the Presidential Election*, (6). Retrieved from <http://www.docstoc.com/docs/67848764/See-in-Content-Political-Risk>
- Агентство регіонального розвитку "Донбас". (2011). Адвокасі - Інструмент діяльності для соціальних організацій. Донецьк: Агентство регіонального розвитку "Донбас".
- Альянс. (2014). *Альянс*. Retrieved from <http://allianceua.org/> on 1 November 2014.
- Социально-экономические стратегии и партнерства. (2011). Информационный справочник - Социальных предприятий и социально ориентированных субъектов предпринимательства донецкой и луганской областей Украины. In Социально-Экономические Стратегии и Партнерства (СЕСП) (Ed.). Донецьк: СЕСП.
- Социально-экономические стратегии и партнерства. (2014). *Ассоциация аналитических общественных организаций «Социально-экономические стратегии и партнерства»*. Retrieved from <http://sesp.org.ua/web/sesp/sesp-RU.nsf> on 1 November 2014.

8 A New Model for Policy Implementation in Post-Soviet States: Implementation is a Two-way Street

8.1 Research hypothesis

This thesis began with the research hypothesis:

Despite the slow pace of post-Soviet reforms in Ukraine, continued pressure from both internal and external actors involved in policy processes will drive policy implementation norms regarding Small and Medium Enterprises [SMEs] into ever closer alignment with the Amalgamated Policy Implementation Criteria.

To what degree did the two case studies confirm or nullify this hypothesis? Did research data demonstrate a trend towards improved implementation in alignment with the guiding theoretical criteria? Have implementation norms consistently improved in the (more than) two decades that Ukraine has been an independent nation?

Chapters 5 and 6 assessed the cases against the formative theoretical framework: the Amalgamated Implementation Criteria (AIC). The findings are summarised below, with implementation criteria that were satisfied listed in black and those left unsatisfied listed in a lighter shade.⁷³ Throughout this thesis, the threshold for successful implementation was considered met when at least 50% of the criteria were satisfied.

Simplified Single Tax: Introductory Era

1. Policy to be implemented is based on a valid theory of cause and effect.
2. The policy has active support from key constituents and legislators.
3. A clear authority is behind the policy's implementation, correctly ordering tasks and managing implementation compliance.
4. There are a small number of key players involved in the implementation process and dependency relationships between them are minimal.
5. There is mutual understanding of and commitment to implementation goals by key parties and organisations involved in implementation process.
6. Key players and implementation agencies have good communication and coordination between them.
7. Resources are sufficient and largely untapped on their way to the implementing agencies. (Misuse of resources is minimal)
8. Externally generated and intervening circumstances are minimal.

Result: 62.5% of criteria met = successful implementation

Simplified Single Tax: Reform Era

1. Policy to be implemented is based on a valid theory of cause and effect.
2. The policy has active support from key constituents and legislators.
3. A clear authority is behind the policy's implementation, correctly ordering tasks and managing implementation compliance.
4. There are a small number of key players involved in the implementation process and dependency relationships between them are minimal.
5. There is mutual understanding of and commitment to implementation goals by key parties and organisations involved in implementation process.
6. Key players and implementation agencies have good communication and coordination between them.
7. Resources are sufficient and largely untapped on their way to the implementing agencies. (Misuse of resources is minimal)
8. Externally generated and intervening circumstances are minimal.

⁷³ Orange coloured text or lighter coloured if reading in black and white.

Result: 37.5% of criteria met = unsuccessful implementation

State Committee of Ukraine for Regulatory Policy and Entrepreneurship (SCURPE)

1. Policy to be implemented is based on a valid theory of cause and effect.
2. The policy has active support from key constituents and legislators.
3. A clear authority is behind the policy's implementation, correctly ordering tasks and managing implementation compliance.
4. There are a small number of key players involved in the implementation process and dependency relationships between them are minimal.
5. There is mutual understanding of and commitment to implementation goals by key parties and organisations involved in implementation process.
6. Key players and implementation agencies have good communication and coordination between them.
7. Resources are sufficient and largely untapped on their way to the implementing agencies. (Misuse of resources is minimal)
8. Externally generated and intervening circumstances are minimal.

Result: 37.5% of criteria met = unsuccessful implementation

State Service of Ukraine for Regulatory Policy and Entrepreneurship Development (SSURPED)

1. Policy to be implemented is based on a valid theory of cause and effect.
2. The policy has active support from key constituents and legislators.
3. A clear authority is behind the policy's implementation, correctly ordering tasks and managing implementation compliance.
4. There are a small number of key players involved in the implementation process and dependency relationships between them are minimal.
5. There is mutual understanding of and commitment to implementation goals by key parties and organisations involved in implementation process.
6. Key players and implementation agencies have good communication and coordination between them.
7. Resources are sufficient and largely untapped on their way to the implementing agencies. (Misuse of resources is minimal)
8. Externally generated and intervening circumstances are minimal.

Result: 37.5% of criteria met = unsuccessful implementation

Considering the four total assessments (two cases, each with two eras of activity) only one instance, the Single Tax case during its introductory era, met the 50% implementation criteria adherence threshold necessary for successful implementation. This result is not surprising, considering the inherently challenging nature of policy implementation, coupled with the inconsistent conditions of Ukraine's socio-political and economic environment.

This research began by questioning the cultural applicability of the AIC as an implementation measurement model in contexts outside of Western Europe, the United States and other associated 'Western' nations. As has been highlighted throughout the thesis, the AIC was designed for a 'western' context, intended for application in pluralist democracies with largely market economies. In order to better understand policy processes outside of such a context, this research identified a need for a modified measurement model, one that incorporated contextual factors into identified implementation criteria. Following top-town interview coding in line with the AIC, this research then assessed all remaining data that did not fit into the AIC model. These remaining themes were coded from the bottom-up, creating a new set of critical criteria for implementation in Ukraine. These new criteria have thus been empirically derived in order to form the basis of a new theoretical model for implementation assessment, which has been designed with the wider post-Soviet region in mind. The research has thus resulted in a new measurement model, designed to more accurately measure policy implementation within the cultural and institutional norms of post-Soviet Europe.

The remainder of this chapter is devoted to the presentation of this modified implementation measurement model: the Fischer-Smith Policy Implementation Model for Post-Soviet States (FSPIMPS). First the proposed new criteria are presented, each with a short theoretical commentary aligning it with the current literature. A series of themes arising from the research data are presented for each new criterion, coupled with recommendations for policy practitioners. The recommendation sections reflect one of this thesis' primary objectives, to have applied use in both the theoretical and practical arenas. Each section then closes with a concluding assessment on the proposed new criterion, including its application to the policy cases from Chapters 5 and 6. Following these thematic discussions, the modified model is proposed in full, and retroactively applied to the policy cases. The chapter then concludes with a discussion on the new FSPIMPS model and a note on research limitations.

If viewing all the newly proposed criteria as a whole, it appears that nearly all of them relate to the larger issue of communication processed within policy implementation. It does not seem a coincidence that many of the new criteria incorporate an element of interface with the policy targets (SMEs), most notably the presence of two-way information channels. The increasing importance of reciprocal communication is likely a result of Ukraine's continued transition away from a centrally planned state, whereby individual citizens are taking an ever more active interest in the processes that affect their lives (and businesses). As governance structures have become more open to citizens, the systemic shortcomings, where processes are not yet transparent or open to stakeholders, have become harder to ignore. The continued involvement in Ukraine from international organisations and governments, many of them hearkening from pluralist democracies where stakeholder interaction in the policy process is the norm, has emphasised such gaps in communication. As Ukrainian businesses, organisations and citizens interact more frequently with international actors, such concepts have gained a foothold in the domestic paradigm. It may be extrapolated that Ukrainian SME stakeholders are becoming more influential in their nation's policy landscape through their own learning process. In order to be accurate, such considerations need to be reflected in a revised policy measurement model. As the research data demonstrates, without this recursive information flow, implementation actions become isolated from the wider process and are more likely to come to a standstill. The aim of this research was to explore these processes through an improved model to fit policy implementation challenges in Ukraine.

8.2 Newly proposed criteria

From here, each new proposed criterion is introduced, together with the scholarly basis for its inclusion into FSPIMPS. The discussion is structured according to the policy cases, firstly addressing thematic considerations concerning the Simplified Single Tax and secondly those relating to SCURPE/SSURPED. In the latter instance, broader themes around SME development are additionally discussed, both because of their relevance as well as the fact that themes around SCURPE were not always present. Lastly, each theme is followed with policy recommendations, in order to continue the research theme of contributing at both a theoretical and practical level. Finally, each new criterion is summarised in an overall assessment and relation to the FSPIMPS model.

8.2.1 Learning and best practice

Newly proposed criterion 1: The policy reflects learning and incorporates best practice

The fluidity of policy making allows ample opportunities to incorporate lessons taken from others' experiences. This proposed criterion seeks to measure the degree to which this is taking place. There has certainly been no shortage of international advice present in Ukraine, with many polities providing long-term, semi-permanent

support, as discussed in Chapter 4. Particularly the EU and its member states, as well as the USA, have provided council and technical training programmes from shortly after Ukraine gained sovereignty. Such projects have been multitudinous, but to what degree have they translated into improved policy practices and standards within the Ukrainian state?

As Freeman writes, policy makers are rarely in truly ‘new waters’. Very often they are charged with modifying (rather than creating) legacies, in fact operating in a continuous process of ‘iteration and reiteration’ (Freeman, 2006, p. 373). It is therefore reasonable to expect that they would have the wisdom to draw on examples of others who have previously confronted similar problems, rather than reinventing the wheel every time there is an issue to be solved. Recent work on SME policy typologies, identifying key ‘levers’ by which policy strategies impact the business environment (Dennis Jr., 2011a, 2011b), could be considered a potential example of how to incorporate best practice into a post-Soviet environment.

It can be astonishing to realise, however, just how often this research-based step is left out of the policy process (Bardach, 2004). Within the four types of policy learning that Gilardi and Radaelli have detailed, ‘instrumental learning’ most accurately captures the notion of incorporating best practice into policy making. Its features include ‘evidence-based policy agendas’ as well as specific tools for ‘drawing lessons from others’ experience’ (Gilardi & Radaelli, 2012). The degree to which such learning has been incorporated into Ukrainian policy-making practices is examined below through themes emerging from the research data.

The Simplified Single Tax: Learning and best practice

International examples

Similar taxes had been introduced in other parts of the post-Soviet region. Examples of simplified tax systems for SMEs can be found from both Russia and Hungary (Chepurensko, 2011; Dallago, 2011), both taken with similar objectives to those of Ukraine. However, drawing linkages between these examples and Ukraine’s simplified tax may be a stretch, as neither Hungary nor Russia was mentioned in this context within the data. Furthermore, no primary sources were located indicating that these, or any, international examples had informed Ukrainian policy makers during the tax’s formative stages.

Recommendation: Ukrainian policy makers should regularly conduct research on international examples of policy activity that might advise their own. This is especially true when seeking to activate a distinctively new policy direction, such as in the case of the single tax.

Learning amongst implementation actors

In some instances, the delivery of single tax implementation was improved through learning. As implementation of the single tax developed over time, the subject grew in interest for non-governmental organisations and community bodies. In some regions of Ukraine, these groups worked with local officials to improve the reporting experience for SMEs.

We worked with state employment centres, with local authorities to help develop this and training courses. So we worked on a very local level but in some cases we were able to lower the rate of single tax for this particular kind of entrepreneurship (Interviews, K_B14 (R)).

Recommendation: Grassroots and small-scale interaction with local officials implementing the single tax may be more effective than working with government officials on a national level. Assistance efforts towards this end should concentrate on bringing SME stakeholders and local government representatives together, in order to simplify procedures in a way that ameliorates the process for both sides.

Learning amongst SMEs

Advocacy groups sought to educate SMEs around their enabling role within the culture of informal payments (bribes). This process was mostly carried out by NGOs and SME business associations, who taught SMEs about the importance of not paying bribes to tax officials and other civil servants. This reflected recognition amongst SME advocacy groups that paying bribes perpetuated the system to a similar degree as demanding them, a concept that aligns strongly with the leitmotif of this chapter: implementation is a two way street. Some respondents recognised the importance of this idea.

I never pay bribes, not to anyone. I can run over anyone. I am fairly well known. I am a public person. I always boast about this [not giving bribes] (Interviews, O_C7 (R)).

Each one thinks, today I will pay a bribe and the issue will be decided, but no one reflects [on the fact] that tomorrow it could be possible not to pay a bribe. I have now such [an issue], it turned up, such cases. Now there is a new director, a new director who fights against corruption and so those, who formerly went [about] and gave [bribes], now they are not taken from (Interviews, D_A4 (R)).

With bigger companies who actually have the clout, if they got together and actually said, ok we, we will not bribe, we will not take bribes, it would have some impact on the market I think. But it's been difficult for them to be brave enough (Interviews, K_B23 (E))

As the last quote highlights, the prevalence of bribe culture was wider than the SME sector, involving large firms as well. Several respondents expressed this similar idea, to see large corporations lead the way towards changing the informal payment culture.

An example of educational efforts towards changing the bribe system included the poster below, which was displayed on the office walls during several different interviews. It featured an enlarged (and monstrous-looking) parasite in a bid to educate SMEs about their role in the informal payment system, shown in Figure 8.1.

Other organisations used additional tactics towards minimising the informal payment culture. An SME-oriented NGO in Luhans'k explained how their organisation used social pressure to intimidate tax inspectors, who had not communicated the date and time of their visit to the business beforehand as required.

He did not come as a representative of the law. If it [had been] as a representative of the law, he should come with an authorised document, with a directive, but they came brazenly. This is like a racket, like bandits (Interviews, D_B11 (R)).

When such an unannounced visit occurred, the group in question would use word of mouth and mobile phone tree networks to communicate the location of the tax inspector. Whichever group members were available to step away from their own business would gather at the shop in question. According to the above respondent, this tactic nearly always drove the tax inspector away.

Figure 8.1 – Don't give bribes poster



Don't feed the parasites; don't give bribes

Further tactics included formal, classroom-based training. Several organisations ran advocacy training for Ukrainian SMEs. Such events usually included a component around SMEs' role in reducing the leverage of tax officials by refusing to cater to the informal payment system. Trainers sometimes reported that business owners were initially sceptical about the benefits they would receive from the training in exchange for the time it would cost them.

Well, they come and, you know, people do not really know what a training [session] is. I come out before them and look at them. There sit 20 people, absolutely vicious faces, this is how it is. And they say, "Well, how long will this take?" I say, "Well, 6-8 hours. This is a full day." "What? Half an hour at most. In general, we have no time." Then eight hours passes and they say, "How is it already time to go?" Then the next time many more [people] were wishing to join (Interviews, D_B9 (R)).

As this quote demonstrates, the more exposure firm owners had to training and education opportunities, the more interested became in learning.

Recommendation: Agencies and groups across all demographics should continue educating SMEs around their power to help change the bribe culture. This includes spreading information regarding SME rights during tax inspections, as a tax inspector acting outside of the law will often leave if challenged. In many cases, SMEs are simply not aware of these tactics, demonstrating a need for continued information campaigns.

Development programmes: Learning and best practice

Learning between NGOs and local officials

Non-governmental organisations worked with development programme officials to improve the business operating environment. Oftentimes a development programme, or aspect of a programme, was either unclear or did not have any local officials associated with it, who possessed implementation expertise. In such circumstances, the

NGO sector sometimes provided assistance through hands on training and information sharing. Although this was not a common occurrence, the data provided evidence across several locations that it was indeed taking place.

Our task in the field, as non-governmental [citizens'] organisations, is to work with the bureaucrats. We must pledge to respect the law. This is anti-corruption work and work on legislative compliance (Interviews, L_C8 (U)).

They [the regional administration] then said, "[name omitted], we have come to the end of a strategy. We would like to summarise in full, to analyse what has been done, what we did not take into account (precise targets had been specified). What we have accomplished? What has not been fulfilled and why? And [then] to write a new strategy." This was their suggestion, they initiated it (Interviews, D_B8 (R)).

We firstly help government organs to correctly implement the 'one stop shop'. And so one part of this is not only help for the government to implement this correctly and to realise it, but also to explain to the entrepreneurs how to correctly understand and use this (Interviews, K_B5 (E)).

Recommendation: The government should continue to encourage cross-organisational interaction, as this type of communication represents the optimal two-way learning process. Groups and agencies across all demographics should receive more resources towards training exercises, with priority funding provided for those that bring government representatives together with the NGO or private sector.

Business education learning opportunities

Through training opportunities, SMEs have been learning more about the basic principles of business. One of the most challenging aspects of the operating environment for Ukrainian SMEs was the fact that many firms did not have a solid understanding of business principles. This finding went beyond policy considerations to touch on the building blocks of good business practices. Through training programmes, such as those discussed above, SMEs were exposed to core ideas around sound business operation. This furthered their ability, not only to operate effectively, but to engage in a more educated fashion with the policy environment around them.

The course, 'The strategic vision of entrepreneurs' helped people pick up a systematic vision of business, their own business, the field in which it operates, the information field, the technological [field], shall we say, the government [field] and so forth. So to see the system, not just their own business, the system according to its interconnectedness - this is very important (Interviews, D_C11 (R)).

This learning process extended to SME interaction with their staff, with respondents explaining how business training had increased firm owner appreciation for staff values.

Now we have a completely different tendency, now I am concerned that my staff earn a good wage. Because if they will make good money then in principle I also benefit from this, because the purely human qualities, yes, that these are people, that behind them are their families, and that they also want to live, to be, and not simply it's the people that behind them family, and one they also want to live, to be, and not just trudge along in this life, but to accomplish something, to succeed and live like normal Ukrainians (Interviews, D_C12 (R)).

These themes may arguably be broader than a discussion on implementation criteria, as they speak more to the guiding tenets of smart business practices. However, the fact that Ukrainian SMEs were being exposed to such ideas through training opportunities, which themselves could be understood as part of development initiatives, brought general business education into the realm of SME development policy. Training events also provided networking exposure to other firm owners, allowing bonds to form that would ultimately increase the strength of their mutual cooperation towards common policy goals.

What we are noticing, I would say, is a kind of a new process, the creation of new professional associations. The association of small traders or, I don't know, of wood producers, or whatever. They are joining together to

defend their interests. and I think these small associations are becoming more and more clever, more professional, better understanding of legal means (Interviews, K_B17 (E)).

Such examples represented only a small portion of the ways that Ukrainian SMEs were learning to leverage off one another to accomplish more than one firm could alone. However, the examples learning discussed under proposed criterion 1 are limited to instances of extrapolated lessons and their application. Additional instances of stakeholder cooperation are discussed under newly proposed criterion 5, which focuses explicitly on the topic of stakeholder input into the policy process.

Recommendation: Continued business education opportunities around the basics of good business operations are critical for SMEs in a transition nation. As many firm owners have never been exposed to such principles, their introduction may positively influence firm owner understanding of market processes, including the policy systems that govern such. Joint training opportunities are further beneficial in bringing SMEs together, allowing for increased networking, potentially leading to cooperation in improving the business environment.

Assessment: Learning and best practice

Illustrations of learning were strong across the data, as were several instances of best practice application. In regards to the single tax, SMEs were exposed to the idea that paying bribes enabled the culture of informal payments, teaching them that the fault of this system lay with them as well as with the bureaucrats demanding bribes. In the sphere of business development programmes, SMEs experienced cross-organisational education initiatives and training, which taught them more about basic business principles, as well as provided opportunities for networked cooperation. Thus it seems that in both cases the proposed criterion of ‘learning and best practice’ was met. The prevalence of this theme seems to merit a specific implementation criterion. Although the AIC model included a measure around ‘cause and effect’, it did not go far enough towards incorporating learning and best practice approaches. Rather than standing alone, this proposed element could be combined with the already existing ‘cause and effect’, in order to create a more robust criterion, read as:

Policy to be implemented is based on a valid theory of cause and effect and **reflects policy learning and best practice**.⁷⁴

Within the FSPIMPS model, this newly proposed criterion would be considered as a formal institution, located under the policy typology of strategy and leadership.

8.2.2 Mechanisms and incentives

Newly proposed criterion 2: The policy incorporates mechanisms and incentives to encourage implementation, both for stakeholders and enforcement bodies

The existence of a regulation or guideline does not necessarily ensure its completion. Beyond a directive, there must be motivation for those involved to comply, so that they are not ‘sanctions to wield only in principle’ (Dunsire, 1978). If during implementation, there is too large a disconnection between the policy action required and the benefits to the implementation actor, there is a high possibility that the action will be left uncompleted. This

⁷⁴ The red coloured text (lighter coloured if reading in black and white) reflects the proposed addition to the existing criterion. All the proposed criteria in this chapter are presented similarly.

occurrence need not occur in totality for it to detract from implementation outcomes, even a partially incomplete action can reduce the likeliness of successful implementation.

Network effectiveness may play a significant role in this capability (Milward & Provan, 2003), as its existence enhances the functionality of an implementation platform. Being part of a larger policy network may encourage individual actors to complete their expected implementation tasks, in order not to disappoint their colleagues in other organisations. The literature identifies this phenomenon as ‘positive network-level outcomes’, indicating that overall outcomes may be enhanced through network cooperation (Provan & Kenis, 2008). Within the spheres of civil servants, such circumstances often contain an element of ‘log rolling’, or expectation of reciprocal favours (Buchanan, Tullock, & Rowley, 2004). This may be considered a form of bargaining game, through which individuals in the civil sector maintain their leverage over one another through services taken and returned (Bardach, 1977).

An example of this in Ukraine could be an employee of the State Tax Administration (STA) who files her monthly documents (regarding the SMEs in her jurisdiction) in a timely fashion. She is motivated to do this because she wants to maintain good working relations with her colleague in the Ministry of Finance, upon whom she can call should she ever need an extension on her filing deadline. This theoretical example demonstrates how the ‘mechanisms and incentives’ criterion works from the point of view of government employees. Within this context, adherence to the criterion ensures not only enforcement of required implementation actions but potentially also an increased belief in, or at least understanding of, the rationale behind the policy (and thus its implementation).

The proposed new criterion could also be leveraged in the private sector through SME stakeholders. In this case the phenomenon would be classified as an aspect of compliance. In regards to private sector actors, lack of incentives to comply may arise either from personal objections to the policy (e.g. reduction of net earnings through tax increase) or inability to comply (e.g. a small firm cannot devote the resources to filling out an application for financial grant). Of three ways in which compliance barriers often manifest, Weaver’s ‘resource and autonomy constraints’ are particularly applicable in the context of this research (Weaver, 2014). As the IFC has documented at length, one of the biggest obstacles encountered by Ukrainian firms has been the great time commitment needed to complete tax forms (International Finance Corporation, 2007, 2009). Many firm owners may be noncompliant, not because they are opposed in principle to the required tax, but because they do not have sufficient resources to both complete the required forms and continue to run their business. If SME owners in these circumstances were provided with suitable mechanisms and/or incentives in this regard, it is possible that compliance levels would increase. This ties into an earlier discussion of firm owner motivation towards improving his/her quality of life through business ownership (Casson, 1982, p. 300). By incorporating SME feedback in a meaningful way, a government provides incentives for firms to continue operating, which in turn enriches socio-economic conditions.

The Simplified Single Tax: Mechanism and incentives

Continued tax loopholes

The Single Simplified Tax created tax loopholes, both for large firms and for individual employees, with no enforcement mechanisms available to prevent these non-SMEs from using the system. Although the establishment of the single tax was overall a positive mechanism that created greater incentive for business activity, it also created a major loophole through which large firms pieced out their operations, thereby paying almost no taxes. Firm owners of large corporations were able to take advantage of the situation by creating new firms within the SME eligibility

criteria, in essence contracting work out to themselves. As the original legislation contained no enforcement mechanisms to dissuade this behaviour, big business owners used their SMEs as shells, in order to pay an extremely low single tax rate on much of their economic activity. As explained by one respondent:

The rules of the game [single tax] were installed and took off, beginning a sharp increase in entrepreneurship development. But not for, unfortunately, not for entrepreneurs and self-employed people...it turned out that this system was beneficial not only to small businesses, for whom it is made, but also proved beneficial to big business, which uses this system to optimize their business (Interviews, D_A3 (R)).

The second loophole concerned individuals employees at firms of any size who chose to file their earned wages as an entrepreneur. In legal terminology, these individuals thus became contractors, rather than full-fledged employees. The firms they worked for often preferred this shell 'contracting' arrangement, as it saved the business money by not claiming the individual as a veritable employee, by which social insurance and employment tax did not need to be paid. Despite the fact that this occurrence was quite common (many spoke of it openly during interviews), implementation actors were not equipped with mechanisms to provide disincentives to this behaviour, either for individual employees filing as entrepreneurs or for 'shell' SMEs of large firms. Ultimately, both loopholes became reasons behind the single tax reform.

Recommendation: The single tax policy needs to be structured in order to minimise opportunities to take advantage of the system. It has already been suggested that the single tax could have: 1) excluded those sectors most likely to include shell companies (consulting, marketing, real estate, financial services) from the scheme; 2) made tax invoices from individual entrepreneurs non tax deductible; 3) included a probation period for participating in single tax scheme; 4) improved monitoring of turnover (Giucci, Kirchner, Betliy, & Otten, 2010, pp. 15-18). In fact, the suggestion regarding tax invoices was taken on board during the later tax reforms (an example of policy learning). Beyond this approach,, the most realistic of the above suggestions would have been to introduce improved monitoring mechanisms.⁷⁵ While this would have added an operating cost to SMEs overall (to fund the mechanism), it may well have reduced the number of shell companies or individual non-SMEs benefiting from the single tax scheme. A final consideration would be abolishing the single tax for individual entrepreneurs who were self-employed (Коваль, 2012), which would have cut down the number of individuals illegally claiming on the simplified tax.

Incentives towards open tax reporting

The implementation process around the Single Simplified Tax did not carry incentives to report earnings accurately, thus many SMEs only reported part of their earnings or some of their employees. This theme, although related to the above discussion around loopholes, concerned SMEs' avoidance of transparent tax reporting (rather than the activities of entities posing as SMEs). Firstly, under-reporting income or employees contributed to the shadow sector, thus detracting from Ukraine's real economy. Secondly, it encouraged the continuation of non-reporting practices as a culturally acceptable practice. SME owners rationalised this behaviour through the fact that it was commonly accepted, in some cases even expected, behaviour.

Well you know what we really get more money than we show. I have an official salary, and I'm ashamed to say, that never in my life have I never reported anything more than this (Interviews, O_C7 (R)).

⁷⁵ Sectorial exclusion may have worked but would have made business difficult for legitimate SMEs in those sectors, whereas a probation period before entering the single tax scheme would have made start-up difficult for all SMEs.

This practice most likely related back to coping tactics from the Soviet era, where many people brought in additional income through unreported trade and services. It also incorporated the lack of trust many SMEs felt towards the government and its civil servants, either to collect taxes fairly or to channel tax revenue toward societal needs. Respondents often justified their non-compliance in this regard through this line of reasoning.

Now this is the situation. Because of the political team it has led to this, that people do not want to pay taxes. They see that the President buys his own helicopters, builds his own palace (Interviews, L_B8 (U)).

In regards to under-reporting their employees, many SMEs justified this through the high cost of employment taxes.

The tax on wages for employees consists of such components that it is disadvantageous to keep on those wage earners (Interviews, L_B7 (U)).

The prevalence of such attitudes, tacitly condoning non-transparent reporting practices, returns to this chapter's theme of reciprocal implementation. There must be active participation not only from enforcement institutions (government actors) but also from policy targets (SMEs and SME associations). The implementation climate present during research tacitly encouraged non-transparency and under-reporting, as even those firms who may have been caught in the act could usually circumvent required fines through negotiations and informal payments. *Recommendation: Continued education for SME stakeholders is needed around the damage that under-reporting causes to Ukraine's national economy. The increased funds that transparent reporting would add to the GDP would potentially alleviate the pressure on the system, allowing for reduced employment levies. In return, the government needs to be consistent in its application of regulations. Civil servants implementing tax regulation need to undergo increased training regarding the value of consistency and transparent practices when working with SMEs. Finally, increased transparency around tax revenue spending would greatly improve SME stakeholder trust in the government.*

Streamlining tax reporting

Some improvements were made in streamlining tax reporting procedures. Amidst the many obstacles detailed thus far, respondents also spoke of improvements to tax reporting systems. These included the introduction of e-filing, which saved SMEs time by allowing them to file electronically, thus avoiding long queues and time spent travelling to the tax office. Additional improved filing measures included the 'one stop shops', discussed in Chapter 5. Although respondents differed on their evaluation of these centres' effectiveness, a majority who spoke about them did so positively.

On the question of permit systems, on the question of municipal government and its licencing system [and] their regulatory authorities, today [after the one stop shops] these specific problems are much simpler and they are not so difficult for business (Interviews, L_C8 (U)).

Recommendation: Attempts to streamline tax reporting procedures should continue, as it will take some time for these efficiency improvements to reach many SMEs. Monitoring should also be undertaken on the percentage of SMEs filing completely electronically, as this would help direct resources to where they are most needed. E-filing and the single window (one stop shop) for tax reporting were positive steps forward, but to be most effective they should be simplified down to only the necessary steps, as being electronically-based does not automatically ensure improved efficiency.

Burdensome regulatory system

The administrative and regulatory system is overly burdensome, procedures are too complicated and there is no leeway for genuine errors. The burdensome nature of tax administration has long been an issue in Ukraine (Welter, 1997), and the data from this research did not indicate that any significant improvements have been made since the time when this issue first became widely recognised (mid-1990s). These circumstances have been in part due to frequently changing tax legislation, but also arose from a lack of singular vision or strategic direction for the SME sector. Burdensome regulations require a significant time commitment, which is particularly arduous as research has demonstrated that SMEs are nearly always short of time (Fischer-Smith, 2013).

The current tax system does not stimulate, it makes the situation such that the entrepreneur can unknowingly make a mistake. It is very complicated. Make a mistake and you become the object of control, the subject of control. That is, they come back to you and make obligatory checks. This means that you are part of the time, when you are earning your working money, you are giving some [of it] to these uncles, who came [to check] (Interviews, D_C6 (R)).

This citation tied reporting errors into the ever-present issue of bureaucratic corruption during tax collection, a topic which receives its own proposed criterion later in this chapter.

Further challenges included the fact that there were no exceptions in place for tax reporting errors, nor were errant payments consistently refunded to SMEs after they had corrected the mistake and issued new payments.

Did you ever think why it is the authorities are changing the account that you have to pay your taxes to? They are changing this twice a year. It is just so much complicating the life of the people, you never know which account is actual, they never close the previous account, they are still accepting the money but then they still say you did not pay and they charge a 300% fine but you cannot have your money back and you still have to pay again. They are not playing by the rules but with the rules. All the time you have a feeling like you are fighting with the enemy not cooperating with the government (Interviews, K_B17 (E)).

Recommendation: The government should undertake a genuine effort to simplify procedures, with a thorough examination of each bureaucratic step currently in place, to determine whether it is actually serving a purpose (or is simply present because it has always been present and no one has thought of or had the authority to remove it), and to remove it if not. Legislation needs to change less frequently, and lawmakers need to better understand the effect of these frequent changes on the business sector. While the process of stabilising tax legislation is underway, consideration should be made to cancelling or reducing penalty payments for errant filing, provided the firm committing the error corrects it within a reasonable amount of time (one month from notification of error). Any refunds arising from such errors should be paid in full within a reasonable amount of time (one month from notification of error), which will increase SME trust in the State. Consideration should also be given towards introducing an early payment discount, for SMEs who complete their tax reporting in a timely manner.

SCURPE/SSURPED: Mechanisms and incentives

Enforcement of implementation mechanisms

Implementation mechanisms were not enforced, with regulations applied inconsistently. This issue was largely a result of Ukraine's inconsistent institutional framework, which has been discussed throughout this thesis, leaving both civil servants and SMEs to act out interactions on a nearly case by case basis. Lack of legal precedent as a reference point, arising from a weak legal system, resulted in a business environment that was not governed by rule of law. Thus, informal bargaining and payment systems came to dominate not only tax implementation environments but also SME development programmes, with little counteraction from formal institutions.

When a person realises her goals, when she understands that she has mechanisms and she has partners, then she can move on towards a meaningful aim. Today people do not see such mechanisms or in what way anything will be achieved (Interviews, L_A1 (U)).

Why bother to write a scope of activities if you can just do anything that is not prohibited? (Interviews, O_A1 (R))

Further to the single tax, this state of affairs impacted many policies beyond those focused on SME development, and could thus be identified as a macro-level problem. Several respondents took note of this problem, recognising it as a failure to institutionalise SME policy norms.

You have to institutionalise things, I think that's a crucial lesson in everything we do now. You have to get into the hierarchy and be part of it (Interviews, K_B23).

Recommendation: Mechanisms to enforce consistent applications of policy directives must be established, ideally through public institutions in consultation with private sector stakeholders. Improved communication between central and regional/local level government would assist this process greatly, as would a stronger legal system that is better able to enforce precedents. Lastly, improved monitoring with specified policy targets and a regular assessment protocol towards meeting implementation outcomes would help identify weak mechanisms, enabling their repair.

Civil service competency

Ukraine's civil service was outdated, with civil servants requiring significant training and education. The Ukrainian civil service tended to operate according to Soviet service models, which were heavy on paperwork and short on personal accountability. The fact that Soviet-era personnel still worked as civil servants augmented this state of affairs but was not the cause. The outdated service models were being perpetuated despite the introduction of post-Soviet era staff, as the system had never received an overhaul during the initial years of transition. Thus work models had not been updated to meet the realities of a market-based system. This included a lack of familiarity with modern monitoring tools (such as outcome reporting and incorporation of best practice), which hampered outward information flow around development resources.

Take the law on the simplified [tax] system, which turns out, that in practice it can not be fulfilled, or that it is very difficult, because it did not make provisions for some procedures. May I then conclude that the qualifications of the developers of this project are very low?... I can make a claim about this system, that it is incompetent (Interviews, K_B7 (R)).

I've heard first that this committee [SCURPE] was established and I've heard about changes in the administration of that committee but I could never really follow any significant development caused by this agency (Interviews, K_B18 (E)).

This theme captured the fact that civil servants and policy targets are human beings with varying levels of competence, who will not often engage in something solely because they have been instructed to do so. In order to achieve successful implementation individuals involved must be motivated towards compliance, through enabling mechanisms and rewarding incentives.

Recommendation: The government should engage in a concerted effort to retrain and upskill its civil servants for transitioning conditions to a democratic, market economy. The roll-out of the single tax policy should have been accompanied by dedicated training programmes for relevant civil servants. Although it was understandable that in the early days of transition retraining of civil servants was not a priority, the longer it has been put off the more difficult it

becomes. The Georgian model, whereby an entire service sector was dismissed and made to reapply for their jobs according to new professional standards,⁷⁶ should be considered.

Assessment: Mechanisms and incentives

The themes discussed above are largely examples where mechanisms or incentives towards compliance were lacking. The Simplified Single Tax contained many loopholes that allowed tax avoidance and inaccurate SME reporting. It was also plagued by an overly laborious system, requiring many hours of SME time devoted to tax reporting, although some improvements were made towards streamlining the process. In terms of SCURPE and other development programmes, implementation mechanisms were not enforced consistently (or at all), and the civil service was under-trained and lacked mechanisms to enforce timely and transparent compliance. A low-trust relationship between government employees and SMEs heightened these circumstances, further detracting from SMEs' incentives towards compliance. Therefore, it appears that the proposed criterion around 'mechanisms and incentives' was not met in either case. An element of this criterion has already been captured within the original AIC criterion for 'mutual understanding and commitment'. However, the emphasis on motivation towards compliance is not sufficient in this instance, which is why the new FSPIMPS model proposes its inclusion. Within FSPIMPS, the 'mechanisms and incentives' criterion would be combined with the existing 'mutual understanding and cooperation' criterion to read:

There is mutual understanding of and commitment to implementation goals by key parties and organisations involved in implementation process, **including mechanisms and incentives to encourage implementation, both for stakeholders and enforcement bodies.**

The combined criterion would sit within the 'strategy and leadership' typology, as in informal institution.

8.2.3 Political appeasement policy

Newly proposed criterion 3: The policy is intended to be actioned and is not created solely for political appeasement.

This proposed new criterion relates back to discussions had throughout this thesis around imitative, or 'placebo' policy making (Gustafsson & Richardson, 1979). This practice, which has been referred to as an 'implementation gap' (Hogwood & Gunn, 1984), can also be termed 'declarative policy making', and is defined by a marked lack of alignment between policy goals and outcomes. Especially prevalent within post-Soviet countries, possibly due to an environmental emphasis on rhetoric over content, the phenomenon is not restricted to this context. Imitative policy making takes place in mature market systems as well, with many examples documented in the EU. For example, the application of implementation mechanisms through Regulatory Impact Assessment (RIA) across EU member states has revealed that, 'In some cases these tools only exist on paper, and in others disguise different practices under the same label' (Radaelli, 2005, p. 926).

An emerging tactic for combatting imitative policy making is that of regulatory reform, through which policy systems are examined towards reducing duplicative or redundant policies.

Regulatory reform has become a priority issue for entrepreneurship policy in post-socialist economies that are now part of the EU. During the last decade, the management of regulation has become a priority of EU institutions, reflected in the drive for better regulation. The issue is especially important in the case of the EU's new member countries, where a particular challenge has been the need to simplify legislation (Smallbone & Welter, 2010, p. 330).

⁷⁶ Georgia took this approach with its police force during Saakashvili's policies on taking a more active approach against state corruption.

Imitative policy making includes within it the phenomenon of ‘over-legislation’, which makes keeping up with current requirements a full time job. This had partly been a factor of the sharp changes in government strategic direction with each new presidential administration, but has also arisen from lack of a coherent national SME strategy.

Single Simplified Tax: Political appeasement policy

Over-legislation

Over-legislation has complicated SMEs’ ability to keep up with what is required. The Ukrainian policy environment has been characterised by a churning out of legislation at what could often be termed a ‘frenetic’ pace. Although there is some mention of this phenomenon in the literature (Protsyk, 2005), it has remained relatively under-reported. Within the research data, this largely related to tax policy, as many respondents found it next to impossible to stay abreast of legislative changes.

In Ukraine, we have changes in tax legislation introduced continuously, as if from a high-speed train (Interviews, L_C2 (U)).

What is most important for small businesses that, I can tell you immediately it is the tax burden. In terms of the tax plan the rates have decreased to some degree. But they have not prevented non-stop changes in the last, if I’m not afraid to say, these last five years. Frequent changes in reporting format, in submissions and in extra charges. This tax code has changed in general on all accounts (Interviews, L_A7 (U)).

Somewhat uniquely amongst the data, this theme touched on both case studies, with respondent commentary extending to include regulatory and development policy as well.

To obtain any permits or licences is a little burdensome for small businesses. Why? Well, in Europe, I know that there are 30 types of permits in all...they have 30 permits and 6 types of licences. We have 157 of these permits and 58 types of licenses! (Interviews, D_A3 (R))

It is painful, because they changed the form of reporting. The new documents are not always written clearly and it is necessary, as it were, to adjust, to adapt to new things, to understand it (Interviews, D_B8 (R)).

If you do not engage in politics, politics engages with you, because the following day in the business [sector] it is rather difficult. And these laws, which go into effect very often for small and medium businesses ... they should be proper laws and not change them every year; business cannot adjust every year (Interviews, O_A5 (R)).

Recommendation: Government employees and scholars alike need to better document the occurrence of over-legislation, as part of a wider learning process around its harmful effects. To date, this is an area of policy making that has not received much attention and education is needed before this phenomenon can be properly understood. Once more is known about the obstacles and hardships that over-legislation produces, new strategies for tackling these challenges can be addressed.

SCURPE/SSURPED: Political appeasement policy

Over-legislation

Over-legislation presented an issue for SCURPE/SSURPED, which had to spend much of its time repealing current legislation. One of the agency’s primary tasks was reducing duplicative and/or redundant legislation, which was often approached on a case by case basis for each policy in question. As a great number of policies required this form of attention, this function occupied much of the committee’s time. Respondents who had worked with SCURPE

on this process spoke of the quantity of acts this entailed, citing over 70 pieces of legislation that had been examined within a single calendar year (Interviews, D_A6 (R)).

Despite the fact that most of this deregulation was positive for business operating environments, a better understanding of policy creation could have reduced the legislative output considerably, requiring less time overall spent on the process.

Recommendation: A more efficient approach would be to limit the number of policies that are enacted in the first place, thus reducing the time spent both on original policy enactment as well as the re-visitation and reduction process further down the track. Policy creation is only an important step in the process if it is followed by active implementation that produces desired outcomes. Consideration should also be given to separating regulatory and SME support functions into two separate agencies, so that the amount of time spent on deregulation does not detract directly from development resources.

Declaratory programmes

Development programmes, such as SCURPE, were often of a declarative nature. The implementation processes behind many development programmes were never clearly outlined. This not only left many steps open to a wide range of interpretations but also indicated that, at least in some cases, there had never been a genuine intention to carry out the programme in full. The result was that public perception and performance-based outcomes of such policies differed greatly. This phenomenon occurred with the SCURPE/SSURPED case to some degree, as well as with other development programmes, such as the UFSE/RFSE.

It is one thing to declare, another thing to profess, and another thing to preach. You know what I mean? To preach ... I would say that it is one thing, it is another thing to say something, and yet another thing to execute it (Interviews, K_A4 (R)).

They say something like, oh we have a problem with that business climate, we have a problem with these SMEs. Let's solve [it], we write a big programme, declaratory programme, and we create a special guy. And we solved the programme. You see? We have a programme and we have a guy. And he works, it's his headache. Now we solved the problem, what's the next? (Interviews, K_B11 (E))

We are faced with a system, that one person who worked in the government, he becomes a new man in power, and he absolutely does not do what was prescribed in the strategic plan ... That is to say, the plan for strategic development is yet another good-looking book, which sits in the Mayor's closet. It is very disappointing (Interviews, O_C8 (R)).

The occurrence of 'declarative' policy-making seemed to be the reason for the lack of action on the originally planned second case study for this research, the Law for Government Support of Small Enterprises (Закон про державну підтримку малого підприємництва No 2063-III, 2000). This programme thus provides a further example of a development policy where implementation did not progress past the formative stages, if indeed even that took place.

Recommendation: While it may be tempting for politicians to create policies in order to 'solve' a political issue, this practice should be avoided. Although it may temporarily divert attention from a difficult problem, ultimately it creates a sense of disillusionment amongst SME stakeholders. In terms of long-term planning, when faced with a problem that is too difficult to address, it is usually preferable to do nothing, rather than make an attempt to do something, which then dissolves into nothing. This way, awareness of the problem will continue, so that when a policy window or shifting political circumstances allow, potential solutions may garner more support.

Assessment: Political appeasement policy

Considering the discussion above in terms of the two policy cases, it appears that the phenomenon of over-legislation detracted from implementation success, both for the single tax as well as the SME development sector. In terms of placebo policy, however, the Single Simplified Tax did not appear to be such, and is therefore is deemed to have met the criterion for ‘political appeasement policies’. The data is different, however, for the development agency SCURPE/SSURPED, which was understood by many (especially in its later years) to be largely declaratory in nature. Nowhere in AIC are these type of political appeasement policies accounted for, in fact the original model does not capture policy-maker ‘intentions’ to any degree. Within the FSPIMPS model the newly proposed measurement is suggested as a new, stand-alone criterion, to read:

The policy is intended to be actioned and is not created solely for political appeasement.

It would sit within the typology of ‘policy paradigm’, considered as an informal institution.

8.2.4 Fits social milieu

Newly proposed criterion 4: The policy fits the current social milieu where it will be implemented

This criterion represents what is often referred to in the literature as ‘homo sovieticus’ (McIntyre, 2003; Morawska, 1999), a culturally-based behaviour mode that may occur as a result of living in a centrally planned state. Within interviews the phenomenon was often referred to as a problem with ‘mentality’,⁷⁷ which referred to a passive behavioural style, often equitable with inaction. Within a policy context, the impact of such attitudes manifested as complacency or apathy, a potential example of belief systems impacting policy systems, as posited within Sabatier’s Advocacy Coalition Framework (Sabatier, 1998, 1999; Weible et al., 2011). In keeping with the notion of ‘homo sovieticus’, some scholars have represented ‘mentality’ as a Soviet remnant, the prevailing mind-set in a semi-democratic society where ‘paternalistic attitudes’ and a low level of public accountability prevail (Korostelina, 2013). Further illustrations of post-Soviet mentality include the prevalence of informal payments (bribes) during negotiations (Ledeneva, 1998),⁷⁸ or siphoning off company resources towards personal profit (Wynnyckyj, 2003, p. 143).

Upon further consideration, however, it may be misleading to designate this phenomenon as one belonging primarily to the post-Soviet context. Do not all societies participate in their own form of gifting to secure a difficult (or delicate) deal? Are not company resources used for employees’ personal gain in nations all over the world? Do not all nations and cultural groups function within their own forms of social mentality? Thus, while the concept of mentality has been mentioned within the research data as something arising from a post-Soviet environment, this thesis recognises the term more broadly. It is thusly referred to as ‘social milieu’ in order to encompass the behavioural norms and cultural mores of any given society, post-Soviet or otherwise. During topical discussions, one respondent illuminated this concept precisely:

I would not say Ukrainian mentality, for example, I would say the mentality of people from large industrial centres (Interviews, K_C1 (R)).

Just as with the criterion ‘mechanisms and incentives’, ‘social milieu’ potentially operates in two directions. Firstly, there is the above described mentality of the people, who will avoid implementation compliance that is contradictory

⁷⁷ Менталитет (mentalityet) in Russian, менталітет (mentalitet) in Ukrainian.

⁷⁸ This practice is commonly referred to as ‘blat’.

to popular preferences, sometimes described as a ‘goodness of fit’ consideration (Zhelyazkova & Torenvlied, 2011). Secondly, in keeping with the ‘two-way street’ theme, matching a policy with the social milieu where it will be implemented also occurs as a top-down phenomenon. When government actors do not account for socio-cultural norms within the policy making process, resulting implementation actions may include expectations that are unrealistic for the social milieu.

Simplified Single Tax: Fits social milieu Tax education programmes

There was a dire need for tax education programmes, both for the public as well as civil servants. Societal attitudes towards taxes in Ukraine were largely hostile; many SMEs preferred to pay as low a tax rate as possible and were adverse to the notion of any changes to the system, no matter how small or how gradual. This was in part a result of the extremely low tax rates, as discussed in Chapter 5, which had continued for over a decade with minimal changes. But the hostility also stemmed from continued transition away from a centrally-planned economy (in which citizens paid no taxes) towards a market economy (where each income-earning citizen was responsible for payments).⁷⁹ Thus people were often not mentally prepared to part with some of their own earnings. This understanding of the tax process has translated to modern Ukraine as tax avoidance, with many SMEs declaring less than their true earnings or operating a portion of their business operations in the grey economy. This represented a lack of public acknowledgement of the integral role that tax revenue plays in maintaining critical infrastructure. In this regard, however, the issue became more complicated, as prevalent bureaucratic corruption has meant that tax revenue did not always find its way to its intended target. The high percentage of tax revenue that has been siphoned off by enterprising government representatives and civil servants, although impossible to document, has been assumed to be high. The issue has thus become recursive: tax revenue shrinks through SME avoidance tactics because wage-earners are hesitant to pay taxes that end up in the pockets of corrupt officials. The end result is sadly the same, with many roads, schools, busses, hospitals and other public works falling into disrepair.

There is even a special term: tax culture of the taxpayer. It is definitely hard for me to say this, because the government now has zero-level credibility. Entrepreneurs do not want to pay and there are many comments about the great burden on small and medium businesses (Interviews, L_A3 (U)).

This is the eternal struggle, as Dostoevsky said, ‘fathers and sons’ so too is ‘business and the State’. That is to say, this is eternal, the government wants business to pay taxes and business does not want to pay taxes (Interviews, K_A2 (R)).

The main thing now is for people to become accustomed to the fact that you need to pay taxes. Let's say I have personally come to this [conclusion] a long time ago, I know that of what I pay a significant portion of this does not reach the goals, for which these funds are intended...simply put, the budget is embezzled by different [actors]. But nevertheless, such is the system - the more that people understand this, the faster this process can go (Interviews, K_C7 (R)).

Some respondents spoke explicitly about the need for a wider education campaign around tax culture to improve the revenue stream.

⁷⁹ This distinction is misleadingly simple as a form of taxes was in fact paid during Soviet times as portions of company earnings or harvests. However, this was done from gross profit, prior to distribution amongst employees, and thus the majority of citizens did not conceptualise of it as having created a reduction in their personal share.

There must be respect for the State, and for that it is necessary to respect it, in order for it to respect its own citizens, like a continuous circle. For this you need to educate people, to train [them] from childhood (Interviews, K_A1 (R)).

It seems to me that it [tax education] needs to begin in kindergarten, from a school age children should be given lessons, programmes should be led, getting them accustomed to the particularities of tax liability. [Interviewer: You are talking about tax mentality?]. Yes, I want to say that this is about mentality, about tax liability, corporate responsibility, and social responsibility. Perhaps this is also within the sphere of education, and not only in university, but this needs to be started even in kindergarten (Interviews, O_B1 (R)).

The government has already taken steps towards this end. In 2011, the Ministry of Revenue and Duties began a tax-education campaign, whose targets seemingly included children. Amongst the educational materials was a cartoon, titled City of Dreams (Державна фіскальна служба України (at the time of video release the Ministry of Finance of Ukraine), 2011),⁸⁰ in which children learn about tax principles while playing a board game with their father. It is difficult to say how much effect such educational initiatives have had to date, but monitoring impact of tax outreach would be a meaningful point for future research.

Recommendation: The government should continue its tax-education campaigns, which will no doubt take many years to achieve measurable results. Continued crackdown on the bureaucratic corruption that eats into tax revenue should also continue, along with civil servant training around this issue. Informally, Ukrainians that understand the values of taxpayer responsibility and transparency should continue to spread these ideas amongst their networks.

Regulatory assessment

There is a need for a more intelligent assessment of regulation applicability. The bureaucratic culture present in Ukraine's civil service meant that regulations were sometimes implemented in circumstances where they were clearly not applicable. Examples of this occurrence have been referred to in the literature on administration as:

Inflexible perceptions of the world, micro-imperialism of officials, succession of goals and ritualized procedures which become ends in themselves and are adhered to, no matter how inappropriate the situation (Hood, 1976, p. 142).

Within the research data, such an example was the fact that all firms had to pay taxes, even if their earnings for the time period in question had been negative.

Even if you just started a business and you have only lost funds the tax administration says you cannot have lost money, they say that it is impossible. And they even refuse to accept your tax declaration if you show losses, we cannot accept it, please delete all those expenses from your balance sheet so that you can pay something otherwise we will report you. It has not changed. Businesses have to pay no matter their income (Interviews, K_C4 (E)).

This type of occurrence demonstrated how many civil servants did not have the ability to 'think outside the box'. Individual cases were thus dealt with en masse, which resulted not only in the misapplication of implementation tactics, but further reduced the already low levels of confidence that most citizens had in the government.

Recommendation: Improved training for tax administration employees would help individuals identify situations when regulations cannot be interpreted literally. Such training should include both policy-oriented learning (emphasising the principle in question over the wording) as well as public relations training in stakeholder communications. Tax

⁸⁰ Місто мрії

collection systems should be based on an earnings scale, so that SMEs below a certain threshold (including those with negative income) are eligible for tax returns.

SCURPE/SSURPED: Fits social milieu

New programme introduction

The default attitude towards a new programme may often be dislike, which may later evolve into acceptance or even approval. This state of affairs arose from misinformation, which was a feature frequently associated with the introduction of something new. These types of reactions may in part be categorised as ‘fear of the new’, a phenomenon that occurs broadly beyond the policy sphere. Such circumstances were furthered by the fact that the government department behind a new programme often had a weak public presence, which allowed negative rumours to build strength in the face of an inadequate government narrative. For example, there has also been a noted lack of understanding amongst the public for the methods in which development programmes function.

The government supports entrepreneurship very poorly. The reasons for this are many: this is the mentality of the population, this is a misunderstanding of the State, this is, like, some percentage of corruption in the understanding of officials, or the drive towards corrupt schemes in the understanding of officials. This is very much impeding the advancement of government programs (Interviews, K_A1 (R)).

Beyond development programmes, this had been true for the simplified tax as well.

I remember when the single pay tax category was created it was partly created to bring people out of the shadows and into the light. People were very sceptical at the time saying, oh they’re going to come back and say, oh you’ve been doing this for a long time and where are your tax records? But that didn’t happen (Interviews, K_B1 (E)).

Similar conditions occurred during tax reforms, with a significant group of respondents completely against any adjustments to the single tax. A primary reason for this resistance was the increased tax rates, mostly due to the fact that, following the reforms, the single social contribution had to be paid in addition to the flat tax. This phenomenon may be interpreted (in broad strokes) as a distinction between different types of SMEs, distinguishing entrepreneurial behaviour from a proprietary to the firm (Carree & Thurik, 2010). These earlier discussed labels differentiate between firm owners who understand the natural, two-way interaction between their business operations and the state from those who (irrationally) consider all gross profit to be solely theirs, viewing any obligatory payments as a form of theft. Discontent around this state of affairs was often extended to the political administration, associating tax reform with the corruption of President Yanukovich’s regime (Interviews, 2012).

Some respondents noted that the social milieu was evolving, albeit slowly, towards a more modern understanding around development-based interaction between the state and citizens.

There is evolution, we’ve been going towards something on the evolutionary way for 20 years, but still it may be another 30 before something may be (Interviews, K_C12 (R)).

Others did not feel as positively.

Ukraine now is going nowhere, that is, nothing new has been created in 20 years. We are now only destroying and trying to use what was created during the time of the Soviet Union (Interviews, K_C15 (R)).

Within such negative comments there often arose a comparison with conditions in Georgia, which had recently undergone major infrastructural changes towards improving the transparency and accountability of its public service. Interview data reflected a desire amongst respondents to see Ukraine follow the same path.

This should be some kind of a long evolution, some kind of new-generation, or it should be a revolution. That is, one person comes, as in Georgia for example, and says ‘well guys, from tomorrow everything will be different for us’ (Interviews, K_C7 (R)).

I was in Georgia, for example, I flew [there], and for me it was very interesting to see how in Georgia small and medium business is developing, and how they receive permits, very quickly and easily, without any of the bureaucratic procrastination (Interviews, O_A5 (R)).

The data demonstrate that although social milieu in Ukraine is evolving towards norms more associated with pluralist democracies, this transition is far from finished.

Recommendation: Despite the fact that public opinion may be shifting to better understand the role of the civil sector, this process takes time and requires encouragement. As policy targets have a tendency to oppose any new developments, possibly from an inherent ‘fear of the new’, a policy’s supporters must stay committed to their vision. Oftentimes it is not until the policy has been in effect for some time that its implementation effects are measurable.⁸¹

Assessment: Fits social milieu

Considering the themes that arose from the data in connection with ‘fits social milieu’, the proposed criterion does not appear to have been satisfied in either case. For the Single Simplified Tax greater efforts towards public education on tax responsibility were needed, as were better assessment skills regarding regulatory applicability by public officials in the tax service. In the case of development programmes, the lack of government outreach towards public interaction led to an automatic distrust of any new policies, which had to be gradually overcome. In both policy cases the effect of time did eventually diminish stakeholder aversion, indicating the adaptation of social milieu to its environment. Thus, although it is subject to change, social milieu plays a role in a policy’s acceptance and should be given more weight as a factor in policy making. The AIC model does not include any criteria around such socio-cultural norms. The FSPIMPS model therefore proposes the introduction of ‘fits social milieu’ as a stand-alone criterion:

The policy fits the current social milieu where it will be implemented.

It would be classified as an informal institution within the typology of policy paradigm.

8.2.5 Incorporates stakeholder input

Newly proposed criterion 5: The policy incorporates input from wider stakeholders

Incorporating stakeholder input from within the SME sector could be seen as a type of governance. In his definition of the concept, Scharpf referred to the collaboration of ‘public and private sector organisations’ (Scharpf, 1993), highlighting that both types of groups play a role in regulating implementation. This has also been called a ‘consensual approach’, which when used thoroughly can significantly boost policy legitimacy (Torfing, 2012). One of the critical issues around the notion of legitimacy is the degree to which it matters to policy actors. In a highly vertical government power structure, such as Ukraine, one of the challenges in achieving policy legitimacy can be forcing government actors to care (Whitford, 2007). In many cases, a behavioural change by state actors may only come about when advocacy groups have amassed enough ammunition to negotiate in favour of their own position. This may manifest in any number of ways (vote gathering, industry action), but is usually only possible once stakeholders have

⁸¹ This idea is discussed in greater detail within the concluding themes of Chapter 9.

enough information to make an ‘empowered choice’ (Hansen, 2007, p. 259). The themes from the research data touch on these ideas, demonstrating several times over that starting (or maintaining) the momentum around stakeholder empowerment has been one of the biggest challenges.

Simplified Single Tax: Incorporates stakeholder input

Stakeholder protests

During the Tax Maidan of 2010, demonstrations by SME stakeholders succeeded in repealing some elements of the planned reform. These events, in November 2010, stood out as an example of joint action towards a successful outcome. The strength of the demonstrations was sufficient to force the government to backtrack on some elements of its planned tax reform.

The tax optimisation schemes were eliminated in such a way, as could be understood by studying the old legislation, and now the new [legislation]. At the Maidan, entrepreneurs stood up for the single tax, for the simplified system, when they [government] wanted to remove all. That is to say, they defended it with the help of these business support organisations (Interviews, D_C10 (R)).

Respondents explained that the primary reason behind the public demonstrations was that the government had failed to consult with SME stakeholders before announcing changes. The severity of the planned changes had brought small businesses out in much greater number than any previously proposed reforms. As respondents explained, for many small firms, the tax reforms would have reduced their profit margins to such a degree that staying in business would no longer be cost-effective.

For small businesses it actually increased the tax burden, increased bureaucratic features. People were expecting that all this would, that there would be a reduction in the burden, that a more favourable environment [would be] created but in fact conditions have become much stricter conditions, both for small and medium businesses it has deteriorated (Interviews, L_B6 (U)).

This is a big problem. For example, my shoemaker who repairs footwear, he closed his own firm when they raised taxes. That is, from the new year. As he told me, he said, as much as I have from repairing footwear, is as much as I pay for this tax and to pay the rent for my lodging. And he said, it does not make sense for me to say how much, by how much I would have to raise the price on you in order to make it profitable for me (Interviews, O_C13 (U)).

As evidenced by the above, many firms chose to shift some or all of their business activities into the grey sector, rather than end operations. This indicates that, in terms of bringing firms out of the shadows, the tax reforms that began in 2010 may have had the opposite effect. Furthermore, the outcome of the Tax Maidan was to delay the reforms, not prevent them altogether, as following the deferral most of the changes were introduced throughout 2011 and 2012.

Recommendation: The government should have consulted more widely with SME stakeholders during policy formation around the single tax reforms. Several platforms existed that might have been utilised for this purpose, including the citizens’ councils associated with the tax administration at both the regional and municipal government level, SCURPE, and the Council of Entrepreneurs under the Cabinet of Ministers of Ukraine (CECMU). However, the joint action of the Tax Maidan produced (as a side effect) an important learning space for SMEs and their associations. If viewed as a continual process, rather than a results-based event, the Tax Maidan was quite effective in creating new linkages and networks within the SME sector. Not only were SME coalitions, such as Fortyetsa, born from the event, but the concept of engaging in advocacy was further strengthened amongst stakeholders.

SCURPE/SSURPED: Incorporates stakeholder input

Cooperation amongst stakeholders

Ukrainian SME stakeholders were learning to cooperate together to better advocate for their mutual position. Further to the policy learning described in newly proposed criterion ‘learning and best practice’, there was another kind of learning taking place amongst Ukrainian SMEs. This was occurring, not within formal implementation networks, but amongst the stakeholders, such as SME business associations. These associations were beginning to play a bigger role in the policy process, adopting new tactics towards combatting continued implementation obstacles for their members. They were engaging more frequently with international NGOs, in the domains of both regulatory and development activity. This phenomenon belied a promising bottom-up trend that SME associations and linked organisations were taking matters into their own hands, rather than waiting for a top-down solution. Examples of such activity observed during research included: advocacy training, improving knowledge of and interaction with legislative database, and regular public demonstrations (with an educational bent).

During the second year we conducted these [courses], ‘methods of citizen influence’. Last year for the first time we did this on a broader background, you know, that is we started this in each province [oblas’t] (Interviews, L_C12 (R)).

Is it possible to resolve the issue of business running normally and independently? ...we arrived at [the fact that] entrepreneurs themselves cannot change the situation in the State. So we created a citizens’ movement “Free Space” (Interviews, L_C2 (U)).

Additional examples of this type of learning came from the CIPE modules, discussed in Chapter 5. Not only did were module participants exposed to advocacy training tactics, but they also dialogued amongst themselves to create informal networks, which could be called on to leverage future issues.

Recommendation: Advocacy initiatives that bring SMEs together across key issues should be supported wherever possible. Grant funding specifically for such activities should potentially be included within wider SME development programmes. Institutions such as CECMU and the citizens’ councils connected with government bodies should continue, with a formal interaction process whereby stakeholder views are transmitted to decision-making members of policy creation bodies.

Stakeholder relationship with the policy system

SME stakeholders did not believe that they had the power to influence the system. Many people in Ukraine did not believe in their own ability to influence policy creation or implementation outcomes, perhaps as a result of years living under a centrally planned society. To some degree, this was connected to the notion of mentality presented via criterion ‘fits the social milieu’. Almost seen as separate spheres, the civil servant’s duties and the individual business owner’s goals did not have much mutual territory. Cheema and Rondinelli explained this phenomenon when they wrote that individuals are:

Often not in a position to safeguard their interests or to make claims unless they are first aware of their own situation and have faith in their ability to change their environment. Non-governmental organizations can facilitate the creation of political awareness by providing disadvantaged groups with an opportunity to make collective decisions (Cheema & Rondinelli, 1983, p. 207).

This idea of collective decision-making, or strength in numbers, was becoming ever more understood in the context of Ukrainian businesses, assisted in many places by NGO interaction with SME stakeholders. However,

respondents explained that part of the continued problem was unwillingness on the part of some firm owners to devote the time and energy needed towards improving stakeholder impact within the policy system.

Small business does not pull [its weight]. [It thinks,] ‘My task is to remove the state’s headache, [the state] which should feed me and my children, and so on. I work only for myself, do not touch me. Here are some taxes, I am ready to pay. But do not dictate to me responsibility’ (Interviews, O_C2 (R)).

These people are passive and do not want to do much, one of the major reasons why this is what remained from the Soviet Union, from homo-sovieticus. There is a reluctance to take responsibility himself for what happens with him and his family, yes and with the environment. Therefore the task...the task here is a change of mentality resulting in [the fact], that people could, maybe even be required to take some responsibility on to themselves (Interviews, K_C1 (R)).

There is a quote, an American from their revolution perhaps, that says ‘People have the government they deserve’ (Interviews, L_B3 (U)).⁸²

Furthermore, respondents reported very little SME support within parliament or executive governmental bodies.

There were some specific lobbyists for their [SMEs] interests in parliament, which would have allowed them to rather actively influence the process. This, no doubt, is the major point. Now, I do not see strong players within this sphere (Interviews, L_B2 (U)).

This was oftentimes expressed as a lack of readiness to face the current problems.

People are not ready to defend their rights. Because even when we suggest their own help and say, ‘Let us go, we will leave you forward! Let us go in a column’, they are still afraid. Afraid of taxes, afraid of inspectors, the fear is such that it will probably continue. I would not say that I see some clear way out of this, some kind of program where you have to do such and such and such. This must be some kind of general effort, including [both] the public and the political will, and the people themselves (Interviews, K_C3 (R)).

The people don’t believe, because everything that they had in their lives shows them. They don’t believe that being a public servant they could ever initiate any changes (Interviews, K_B16 (E)).

The objective is to improve the conditions of the business environment. Business determines the success of business, it can make a successful country (Interviews, K_C5 (R)).

Such citations demonstrate that, while there was a desire to improve the level of influence SMEs wielded within the policy environment, there remained lack of knowledge around how best to take action.

Recommendation: Channels of communication between stakeholders and policymakers need to be improved, so that stakeholder input becomes a consistent element of policy monitoring and assessment. Ideally, such channels should include key government actors, who are able to leverage tangible change when needed. As SME associations build their capacities as influential stakeholder organisations, they need continued evidence that their efforts result in positive outcomes. Even if progress is slow, some amount of forward momentum is critical to the process, as it will demonstrate to SMEs that their voice can make a difference in the business climate.

Self-regulated organisations (SROs)

Many SME stakeholders supported an increased role for self-regulated organisations (SROs) within the business environment. Within the Ukrainian literature, this idea has been presented in detail by Dubrovskiy, within the aforementioned Green Book for Small Business (Дубровський, 2012). Additional discussion sources within the geo-political context of this thesis have included reports on business development initiatives by international NGOs

⁸² This quote is actually attributable to Joseph de Maistre, see <http://maistre.uni.cx:8000/> for more information.

(Eurasia Foundation, 2007). The idea of SROs was most supported amongst respondents in relation to the highly vertical power structure within the Ukrainian policy system. Those who felt that SROs could be a suitable step for governance of the business environment were usually the same respondents, who considered that the Ukrainian government was playing too large a role in market processes. The concept was understood across a broad spectrum, with different respondents presenting varying forms of how SROs functioned in actuality.

The model, which is now trying to define the quality of self-governance in Ukraine, will not be feasible or effective. This model is suitable for a partly totalitarian society. In a democratic society, there exist either honest [transparent] organisations that have their own independent authority, and whose opinions are listened to or not listened to by representatives of businesses and [their] customers, or there is a professional [structure of] self-governance (Interviews, K_B6 (R)).

This should be done gradually, little by little; we will create one little law then we will see how it works. Not all functions can be directly transferred on the spot, because our mentality is such that it does not matter if this public body does not work, if it should be in the business [sphere]. Of course there [will be], corruption will immediately appear. But, in any case, [there should be] some mechanisms that could gradually enable small and medium businesses to self-regulate (Interviews, O_A4 (R)).

It was not uncommon for respondents to support the concept of SROs in theory, but to feel that their actualisation in Ukraine was still some way off. Some raised the question of leadership, wondering how exactly such organisations would come into being.

The question is who can arrange this, such a system that regulates what is produced in Ukraine in the sphere of small and medium business (Interviews, O_A1 (R)).

Despite such reservations, however, the majority of respondents supported moving towards self-regulated models for policy implementation and monitoring.

Figure 8.2 – Opinions on introducing SROs into Ukrainian business landscape

	Good idea	Poor idea or not possible	No response	Total
Centre	27	13	14	54
South	9	4	11	24
East	10	2	19	31
West	19	3	10	32
Total	65	22	54	141

Of all respondents, 46% supported the introduction of SROs, despite the fact that some felt this step might be premature in the current business climate. However, some respondents (16%) did not support the idea of SROs at any point in time.

I don't think that they (SROs) would substitute the government in terms of regulation and development...the purpose of these organisations would be different...small organisations or unions and chambers are to protect the interest of the particular group, which may be in conflict with interests of consumers for example or larger society group (Interviews, K_B18 (E)).

The high rate of those who had no response (38%) to the question can be largely attributed to a lack of knowledge around SROs and how they operate in other national contexts. Of those respondents with opinion on SROs, the majority were unfamiliar with the concept. Other sources in the literature have discussed the limitations of SROs, highlighting the fact that not all sectors accommodate such systems with equal ease. Specifically, the IT and high-tech sectors have been identified as industries where SROs may have a difficult time maintaining relevancy, due to the fast pace of change within the sector itself (Egidi, 1996).

Some respondents mentioned that the accounting and legal sectors already engaged in models that resembled SROs, although no further research in this area was conducted. Additionally, in both Donetsk and Lviv, the idea of business clusters within industry sectors arose during interviews (ceramics and jewellers in Donetsk, IT and tourism providers in Lviv) in connection with the concept of SROs. It may thus be that business cluster models are a precursor to a more systematic form of SRO existence and interaction with policy processes, although more research in the area could confirm this.

Recommendation: There is a need for increased learning around SRO models and functionality, across all demographics of SME stakeholders. Educational material should be distributed more widely, both by government bodies and SME associations interested in sector-based self-governance. International government missions and NGOs that work in an advisory capacity with the Ukrainian government offer additional potential avenues for transmitting such information, as the SRO tradition has a longer, stronger history in western market economies.

Assessment: Incorporates stakeholder input

Despite the fact that many SMEs felt powerless in the face of the policy system, members of some business associations were learning to cooperate together towards improved advocacy influence for all. The 2010 Tax Maidan was an example of such positive outcomes, and also provided an impromptu networking forum through which SME associations strengthened their linkages. Building enthusiasm around the idea of SROs was observed in the data, which to some degree enhanced the growing connections within stakeholder associations. Taking these instances into consideration, this research assesses the proposed criterion around ‘stakeholder input’ as met in both cases. However, it is critical to note that many advocacy efforts amongst stakeholders were relatively new. It thus remained to be seen how they would translate into either implementation improvements or the betterment of SME operating conditions.⁸³ Since the AIC model already contains a criterion around ‘key support’, this research proposes to combine the criterion ‘incorporates stakeholder input’ together with this existing measurement. By adding ‘wider stakeholders’ to the already existing ‘key constituents’ and ‘legislators’, the criterion would be inclusive of key support from all relevant groups, reading:

The policy has active support and **incorporates input** from key constituents, legislators and **wider stakeholders**.

This updated criterion would sit within the FSPIMPS model as an informal institution within the ‘strategy and leadership’ typology.

8.2.6 Bureaucratic corruption is minimal

Newly proposed criterion 6: Societal levels of bureaucratic corruption do not interfere with the implementation process.

The literature on transition nations is teeming with examples of corrupt and non-transparent practices, often at very high levels of government. Anders has described coordinated attempts by oligarchs benefitting from the status quo to ‘block market reforms’ and, consequently, economic growth (Anders, 2009). These types of actions have been

⁸³ The notion of stakeholder advocacy was originally reflected in a secondary research hypothesis: *Ukrainian SME business associations and organisations will exhibit a learning capacity and will develop new advocacy strategies to tackle policy-related barriers to business operations.* It was dropped in order to keep the scope of the thesis realistic but the fact that the theme was important enough to originally be considered as a second hypothesis demonstrates its centrality to the research.

well-documented, with many examples in the literature demonstrating how Soviet era nomenclatura have exploited their power networks towards personal business interests (Smallbone & Welter, 2009).

Some of the most recent work on corruption in transition nations has suggested the need to ‘operationalize corruption’ as a research variable (Duvanova, 2007). This recognition addresses not only blatant corruption, but also the opaque legality that characterises many Ukrainian business transactions, the result of a continually weak state (Korostelina, 2013). SME scholars have also elaborated on the very real presence of corruption (Dennis Jr., 2011b), especially on its impact within the former Soviet republics (Smallbone & Welter, 2001). Tellingly, every version of the Association Agreement between Ukraine and the EU has included a focus on anti-corruption improvements as a targeted, primary reform (Joint Committee of the EU-Ukraine Association Agenda, 2012).

The policy implementation literature deals with corruption as well, often highlighted within the context of government efficiency (or inefficiency, as the case may be). Hood found that the presence of ‘intermediaries’, or civil servants, contributed to corruption levels through what he termed ‘bureaucratic dysfunctionality’ (Hood, 1976). This occurrence may be summarised through consideration of ‘middle management’ organisations; the more layers of bureaucratic control must be navigated, the more likely corruption is to occur in some form. This explanation hearkens back to AIC criterion ‘small number of players’, however, it is not realistic to limit the role of corruption to this one instance, as research data demonstrates.

Simplified Single Tax: Bureaucratic corruption is minimal

Tax corruption

Corruption amongst tax officials and inspectorates was widespread. During interviews, over one-third of respondents mentioned instances of corruption without a prompt. Inclusive of prompts, the majority of respondents touched on the issue at least once during interviews. Frequently, corruption was mentioned in the context of tax implementation, occurring through unannounced inspections and (resulting) informal payments, or bribes.

Take a café like this one, such as it is. In order to make it work, he [the owner] must constantly deal with the department of trade in the Odessa City Council. [Everyone] Comes to him here - firefighters, sanitary inspection workers, a policeman. And when they come they do not leave without money. This here is a burden. And for all these structures the entrepreneur must give money, otherwise he cannot live. Otherwise, they will close him down, crush [him], find reasons, provocation and such. Well, this is time and time again. In all bodies. Is this really any kind of climate for small businesses? (Interviews, O_A7 (R))

Well for us the tax inspectorate is very much a part of our lives. They come to the entrepreneur and say that it is necessary [to give] money for something or other. He [the entrepreneur] says, ‘I cannot’. ‘Oh, [if] you cannot then we will make a case some other way, we will find some such way [in which you must pay]’ (Interviews, O_C5 (R)).

Illegal business takeover, although not directly related to the single tax case, was another theme within the data.

If the business is interesting, first there is a visit with a proposal, ‘Sell it to us please, [at] 50% [of value].’ Don’t sell, then please give us, 50% of your earnings, so that you will work as usual, and we will protect you. This is called racketeering (Interviews, L_C2 (U)).

Such practices were accepted as common, although (as detailed under proposed new criterion ‘learning and best practice’) tacit acceptance of this behaviour amongst SMEs was waning. As corruption becomes an increasingly common variable in research projects, potentially increasing international exposure of such practices, it will be interesting to see how this affects such systems.

Recommendation: The most effective way to target corruption is to improve legal systems, so that rule of law becomes the norm rather than the exception. Until this comes to pass, continued education on grass roots methods of combatting corruption will help educate SME stakeholders on coping mechanisms. Ultimately, social mores need to shift in the direction of non-tolerance for such practices.

SME development programmes: Bureaucratic corruption is minimal

International grant funding

International grants for Ukrainian NGOs do not always reach their target recipients. Although the international community is becoming wiser to this state of affairs, respondents spoke of many continued instances where international funding is siphoned off into ‘pockets’ before it can be spent by the NGO in question. Not unusually, those taking a share of the grant funding are managers or directors of the recipient NGO. In some instances, the NGO exists solely as a grant receiving vessel and does not carry out any observable philanthropic projects at all. Several times during interviews, respondents suggested the need for a checklist of criteria that should be present before an international donor passes funding. According to the most comprehensive of such lists, a Ukrainian NGO should be:

At least three years old; able to provide a comprehensive written strategy and plan of action; completely independent from the government; familiar to aid workers and other NGOs in the sector (Interviews, D_B1 (R), D_B4 (R)).

A respondent from an international organisation spoke of this process with familiar recognition.

There are lots of loop holes, sort of pocket organisations and things like this. So it takes some time to have a look at them and figure out is this real, is this solid enough, is this clean? (Interviews, K_B23 (E))

Although international NGOs were increasingly aware of shell NGOs amongst domestic Ukrainian organisations, funding grants were still being appropriated semi-regularly by ‘middle men’ and other non-transparent intermediaries.

Recommendation: A thorough vetting process should be applied before selecting grant recipients from amongst Ukrainian NGOs. In collaboration with experienced funding organisations, a checklist should be established that can guide donors in making more informed decisions regarding their financial support of Ukrainian NGOs. Regular follow up reporting from grant recipients to donors could further potentially reduce the number of fraudulent groups posing as active NGOs.

Assessment: Bureaucratic corruption is minimal

Despite the fact that the types of corruption described here may be somewhat endemic to a post-Soviet environment, methods to combat such practices could be more consistently applied. Both policy cases included high levels of corruption, amongst tax administrators for the single tax case and within the NGO community for the development policy case. According the research data, this newly proposed criterion was not satisfied in either case, with corruption remaining very much an intervening variable, disrupting policy implementation. Although this criterion is closely linked to stakeholder input, as it is through education process of SMEs and their associations that corruption may gradually be minimised, this research considers it a powerful enough factor to merit its own criterion. It would read:

Societal levels of bureaucratic corruption do not interfere with the implementation process.

Within the FSPIMPS model, it would sit as an informal institution under the typology of ‘external events’.

8.3 Fischer-Smith Policy Implementation Model for Post-Soviet States (FSPIMPS)

Following the detailed introduction of each proposed new criterion, Figure 8.3 presents all criteria together, from both the original AIC and the newly proposed measurements. Those elements proposed in this chapter are listed in standard text, while the original AIC elements are listed in *italics*.

Figure 8.3 - Fischer-Smith Policy Implementation Model for Post-Soviet States (FSPIMPS)

	Type of Institution	
Typology	Formal	Informal
Strategy & Leadership	1) <i>Policy to be implemented is based on a valid theory of cause and effect and reflects policy learning and best practice.</i> 2) <i>A clear authority is behind the policy's implementation, correctly ordering tasks and managing implementation compliance.</i>	3) <i>There is mutual understanding of and commitment to implementation goals by key parties and organisations involved in implementation process, including mechanisms and incentives to encourage implementation, both for stakeholders and enforcement bodies.</i>
Agreement & Coordination		4) <i>The policy has active support and incorporates input from key constituents, legislators and wider stakeholders.</i>
	5) <i>Key players and implementation agencies have good communication and coordination between them.</i>	
Internal Conduct	6) <i>There are a small number of key players involved in the implementation process and dependency relationships between them are minimal.</i>	
	7) The available resources are largely untapped on their way to the implementing agencies. (Misuse of resources is minimal)	
Policy Paradigm		8) The policy is intended to be actioned and is not created solely for political appeasement. 9) The policy fits the current social milieu where it will be implemented.
External Events	10) <i>Externally generated and intervening circumstances are minimal.</i>	11) Societal levels of bureaucratic corruption do not interfere with the implementation process.

In total, FSPIMPS proposed six new criteria, some of which have been combined with existing AIC measurements. Wherever possible, AIC criteria were combined with newly proposed considerations, in order to keep the model manageable and easy to access. In total, four criteria from the original AIC were incorporated as is into the new model, while four were altered or added to in some way. The altered criteria included: ‘cause and effect’, which was combined with the newly proposed criterion of ‘learning and best practice’; ‘mutual understanding and commitment’, which was combined with ‘mechanisms and incentives’; ‘active support from key constituents’, which was combined with ‘wider stakeholder input’; ‘available resources’, which was amended to reflect non-transparent funding transactions. Despite earlier discussions (Chapter 5 and 6) regarding a potentially dependent relationship between the AIC elements of ‘clear authority’ and ‘mutual understanding and commitment’, research findings did not confirm this dependency and hence both criteria were incorporated into FSPIMPS.

The FSPIMPS model also introduced additional layers of categorisation, in order to help identify where implementation obstacles are occurring. Firstly, FSPIMPS specifies whether an implementation criterion may be considered as a ‘formal’ or ‘informal’ institution or, in some cases, as both. This distinction is designed to assist policy

makers and scholars better direct their efforts towards effectively clearing implementation blockages. As an obstacles occurring within informal institutions may be considerably more difficult to address, building this distinction into the model may contribute towards more informed strategies for approaching problems. Secondly, implementation criteria have been sorted into five typologies: ‘strategy and leadership’, ‘agreement and coordination’, ‘internal conduct’, ‘policy paradigm’ and ‘external events’. Not only do these categories further assist policy stakeholders and targets in identifying where in a policy system a particular problem may be materialising, but their distinction also evidences the degree to which different policy typologies impact the implementation process. For example, ‘strategy and leadership’ accounts for more criteria than any of the other typologies, indicating that this element of implementation is arguably the most critical towards achieving efficient outcomes.

In Figures 8.4 and 8.5, the FSPIMPS model is applied to the research cases, focusing only on the introductory policy era for each policy case. As summarised earlier, it was determined that, according to the original AIC assessment, the Simplified Single Tax case was effectively implemented while the SCURPE case was not. Applying the FSPIMPS model to the same cases allows a comparison of these original outcomes with those of the modified model. In both figures, those criteria that were satisfied are listed in standard text, while those that were not satisfied are listed in italics.

Figure 8.4 - Simplified Single Tax implementation according to FSPIMPS

Typology	Type of Institution	
	Formal	Informal
Strategy & Leadership	1) Policy to be implemented is based on a valid theory of cause and effect and reflects policy learning and best practice. 2) A clear authority is behind the policy's implementation, correctly ordering tasks and managing implementation compliance.	3) <i>There is mutual understanding of and commitment to implementation goals by key parties and organisations involved in implementation process, including mechanisms and incentives to encourage implementation, both for stakeholders and enforcement bodies.</i>
Agreement & Coordination		4) The policy has active support and incorporates input from key constituents, legislators and wider stakeholders.
	5) Key players and implementation agencies have good communication and coordination between them.	
Internal Conduct	6) There are a small number of key players involved in the implementation process and dependency relationships between them are minimal.	
	7) <i>The available resources are largely untapped on their way to the implementing agencies. (Misuse of resources is minimal)</i>	
Policy Paradigm		8) The policy is intended to be actioned and is not created solely for political appeasement. 9) <i>The policy fits the current social milieu where it will be implemented.</i>
External Events	10) Externally generated and intervening circumstances are minimal.	11) <i>Societal levels of bureaucratic corruption do not interfere with the implementation process.</i>

According to the 50% threshold used throughout this thesis, the single tax case (during its introductory era), meeting 7 out of 12 implementation criteria, was successfully implemented. The overall outcome is thus the same as under the AIC model, where implementation (during the introductory era) was also deemed successful. However, if the rate of criteria satisfaction is assessed, the single tax case had a lower rate of satisfaction under FSPIMPS (58.3%) than under AIC (62.5%).

Figure 8.5 – SCURPE implementation according to FSPIMPS

Typology	Type of Institution	
	Formal	Informal
Strategy & Leadership	1) Policy to be implemented is based on a valid theory of cause and effect and reflects policy learning and best practice. 2) A clear authority is behind the policy's implementation, correctly ordering tasks and managing implementation compliance.	3) <i>There is mutual understanding of and commitment to implementation goals by key parties and organisations involved in implementation process, including mechanisms and incentives to encourage implementation, both for stakeholders and enforcement bodies.</i>
Agreement & Coordination		4) <i>The policy has active support and incorporates input from key constituents, legislators and wider stakeholders.</i>
	5) Key players and implementation agencies have good communication and coordination between them.	
Internal Conduct	6) <i>There are a small number of key players involved in the implementation process and dependency relationships between them are minimal.</i>	
	7) <i>The available resources are largely untapped on their way to the implementing agencies. (Misuse of resources is minimal)</i>	
Policy Paradigm		8) <i>The policy is intended to be actioned and is not created solely for political appeasement.</i>
		9) <i>The policy fits the current social milieu where it will be implemented.</i>
External Events	10) Externally generated and intervening circumstances are minimal.	11) <i>Societal levels of bureaucratic corruption do not interfere with the implementation process.</i>

According to the 50% threshold used throughout this thesis, the SCURPE case, meeting 3 out of 12 implementation criteria, was not successfully implemented. The overall outcome is thus the same as under the AIC model, where implementation (during the introductory era) was also deemed unsuccessful. However, if the rate of criteria satisfaction is assessed, the single tax case had a lower rate of satisfaction under FSPIMPS (25%) than under AIC (37.5%).

The reduction in criteria satisfaction rates under FSPIMPS, as compared with rates for the same cases under AIC, is not surprising. The FSPIMPS model has introduced new measurement considerations, several of which were not accounted for under AIC, thus widening the scope of formally identified implementation obstacles. Furthermore, FSPIMPS contains four more criteria than AIC, which makes adherence to 50% more difficult, as meeting the threshold under FSPIMPS requires that at least six criteria be satisfied (as opposed to only four required under AIC).

It should be noted that although the SCURPE case was deemed to have satisfied newly proposed criterion ‘stakeholder input’, upon combination with the AIC criterion ‘key support’ the full FSPIMPS criterion 5 was not satisfied. This occurrence represents one of the key decision points in constructing an implementation measurement model, how many related points to incorporate into each criterion? The more points incorporated, the more difficult it will be to satisfy that criterion. However, if each consideration is represented by a single criterion, the total number of criteria will increase, making it more difficult to achieve the 50% threshold for successful implementation. FSPIMPS criterion 5 is used as an example:

The policy has active support and incorporates input from key constituents, legislators and wider stakeholders.

This criterion includes six potential components: ‘active support from key constituents’, ‘active support from legislators’, ‘active support from wider stakeholders’, ‘incorporates input from key constituents’, ‘incorporates input from legislators’, ‘incorporates input from wider stakeholders’. If each component were separated into its own criterion, not only would it require more effort to satisfy all six components, but the model would become unwieldy through bearing an unreasonably high number of criteria. Furthermore, the final outcomes would be comparable in either case. If criterion 5 were separated into the six components detailed above, the SCURPE case would still only meet two (‘active support from wider stakeholders’ and ‘incorporates input from wider stakeholders’), which is less than the 50% satisfaction threshold. Thus, the outcome as listed above under FSPIMPS, that criterion 5 is not satisfied, holds for either approach.

8.4 Analysis: Revisiting the research hypothesis

When examining the research hypothesis after the introduction of FSPIMPS, it appears that it cannot be confirmed. The hypothesis stated that:

Despite the slow pace of post-Soviet reforms in Ukraine, continued pressure from both internal and external actors involved in policy processes will drive policy implementation norms regarding Small and Medium Enterprises [SMEs] into ever closer alignment with the Amalgamated Policy Implementation Criteria.

Based on the empirical data presented in Chapters 5-8, it appears that the effectiveness of implementation procedures did not improve with time. That is to say, neither of the two policy cases (Single Tax and SCURPE) demonstrated an increased adherence to implementation criteria throughout their lifespans. In fact, the single tax case that experienced a change in implementation outcomes over time did so in contradiction to the hypothesis, with implementation being more efficient during its introductory era than during its reform. Overall, data demonstrated that implementation efficiency proceeded in an inconsistent manner, without any clear pattern of either improvement or deterioration. The concluding Chapter 9 discusses several themes, environmental factors impacting implementation, which may have accounted for this seeming inconsistency.

8.5 Research limitations

No project is without limitations and this section details those which had the most impact on the research conclusions. It should be noted that several of the limitations were pre-identified in the methodological structure as research variables (either intervening or control), indicating that their interaction with empirical findings was expected.

The occurrence of presidential and parliamentary elections comprised a research limitation insofar as the leadership change shifted implementation priorities. This consideration was pre-defined as an intervening research variable and its impact was anticipated. Both policy cases in question were assessed throughout their lifespan, which naturally occurred under a different presidential administrations and parliamentary convocations. Implementation conditions were therefore inconsistent as the system changed with time. Similarly to leadership shifts in either the presidency or the parliament, changes to the Ukrainian Constitution (as described in Chapter 4) also created potential interventions in carrying out implementation on the two case policies.

Interestingly, interview data indicated that conditions during the time of research were less favourable for SMEs than at any time previously since Ukraine’s independence. As demonstrated in Chapter 7, Yanukovych was the

least popular president across all four regions and all three research demographics. His administration was widely perceived as nepotistic, corrupt, and lacking commitment to Ukraine as an independent nation, public sentiments seemingly confirmed by his overthrow in February 2014. It could thus be the case that the research year of 2012 (and arguably the inclusive years of Yanukovych's presidency) represented an outlier in an otherwise upward trend towards improved policy implementation. Once open conflict subsides and conditions in Ukraine normalise,⁸⁴ this idea could potentially be tested by gathering data on the same policy cases during Poroshenko's presidency and analysing it inclusively with existing data.

The time period of 1992 – 2012 was identified as a control variable in the research structure. This consideration was defined to mark the limits of data collection regarding the two policy cases, as well as to designate the first two decades of Ukraine's status as an independent nation.⁸⁵ This limitation meant that potential empirical data occurring outside of this time period was not taken into account, which excluded some information from the Soviet era, as well as the events of 2013 and 2014. Of further consideration when collection research concerning events that happened over a period of time, was the possibility of inaccuracies in the memories of key respondents. Qualitative research methodology scholars recognise that asking respondents about past events in a general way may produce data that is nearly impossible to verify (Langbein, 2002). This applied in particular to the highly rated tax implementation efficiency under President Kuchma. The many events (personal, professional, external) that took place for each individual in the 8-14 years since Kuchma's presidency, would no doubt have muddled the clarity of respondents' recollections. This phenomenon is in unfortunate contradiction with the recommendation that policy research account for at least a decade of activity (Sabatier, 1999). There is thus a potential differentiation to be made regarding different types of research data when conducting longer term policy case research. It is possible that when the events in question have taken more than several years previously, primary source data (legislation, government documents, research reports) should be given additional weight in comparison to empirical interview data, which are more likely to lose accuracy with time.

Further to these variable-based limitations,⁸⁶ several matters concerned research design may have impacted the findings. Firstly, when asking key respondents about stakeholder activity in the SME policy arena, the word 'advocacy' was not explicitly used.⁸⁷ This choice was made in order not to suggest connotations around this English loanword, which may have resulted in less detailed data than might have been collected had the word been used. As a significant number of respondents utilised the word in their answers to relevant questions, it appeared that the concept was more culturally accepted than had been anticipated. In designing ongoing research to that presented in this thesis, the researcher would approach the problem differently and include the express terminology of 'advocacy' within the interview questionnaires.

An analytical limitation occurred during qualitative data analysis (interview coding), due to language restrictions in the Nvivo coding software. Firstly, Nvivo did not have versatility with the Cyrillic script with either Russian or Ukrainian, which meant that two out of three research languages did not have full functionality in the

⁸⁴ This research does not make assertions as to when the current conflict may recede nor on the delineation of Ukraine's territorial borders at such time.

⁸⁵ As Ukraine officially decided on an independent path in August 1991, 1992 marks the first full year of independent statehood.

⁸⁶ Additional intervening variables have either been addressed in Chapter 5 (1998 currency devaluation crisis and 2008 international financial crisis/European Union credit crisis) or are discussed in Chapter 9 (corruption and rent-seeking behaviour, societal attitudes towards market culture and private enterprise, quality of the Ukrainian judicial system and practices of selective justice).

⁸⁷ Specific interview questionnaire wording for all languages is included in the appendix.

coding software. This limitation primarily affected the text search functions, as the Nvivo feature to set search parameters to include ‘similar’ terms to the one in question was not available in either Russian or Ukrainian.⁸⁸ This meant that a small number of relevant items may not have registered during some text searches, due to slight grammatical or other format alternations from the exact text item in question. However, these possible omissions were rare and would not have impacted the overall research findings.

8.6 Conclusion

Chapters 5-8 have thus presented the full scope of empirical data, together with analysis to contextualise and guide understanding of the research findings. Inclusively, these chapters have tested an existing policy implementation model against conditions in post-Soviet Ukraine, in order to create a modified theoretical framework that better fits regional considerations. This has not been an exercise in measuring policy outcomes, but rather an exploration of the policy implementation process, assessing the effectiveness with which SME-oriented policies have been carried out to date. Research findings thus included the newly proposed FSPIMPS model, which has the potential to guide future explorations in the wider field of policy studies.

Although the original research hypothesis was not confirmed, its negation nonetheless informed both the model and wider considerations. Furthermore, revisiting the same hypothesis at a future date could potentially produce a different result, as, given the short time period of two decades, possible outliers could have distorted any patterns in the data beyond recognition. It must also be posited that perhaps it was still too early to apply policy implementation analysis in Ukraine, and that more time must pass before socio-political and economic systems stabilise. The concluding chapter considers this idea in relation to the FSPIMPS model, contextualising the discussion within a summary of key themes discussed throughout this thesis.

References Cited

- Anders, A. (2009). *How Ukraine became a Market Economy and Democracy*. Washington DC: Peterson Institute for International Economics.
- Bardach, E. (1977). *The Implementation Game: What Happens After a Bill Becomes a Law*. Cambridge, Massachussettes; London, England: MIT Press.
- Bardach, E. (2004). Presidential address—The extrapolation problem: How can we learn from the experience of others? *Journal of Policy Analysis and Management*, 23(2), 205-220.
- Buchanan, J. M., Tullock, G., & Rowley, C. K. (2004). *The calculus of consent: Logical foundations of constitutional democracy*. Indianapolis: Liberty Fund.
- Carree, M. A., & Thurik, A. R. (2010). The Impact of Entrepreneurship on Economic Growth. In Z. J. Acs & D. B. Audretsch (Eds.), *Handbook of Entrepreneurship Research: An Interdisciplinary Survey and Introduction* (Vol. 5): Springer Science and Business Media, LLC.
- Casson, M. (1982). *The Entrepreneur: An Economic Theory*. Oxford: Martin Robertson.
- Cheema, G. S., & Rondinelli, D. A. (1983). *Decentralization and development : policy implementation in developing countries*. Beverly Hills: Sage.
- Chepureenko, A. (2011). Entrepreneurship and SME policies in fragile environments: the example of Russia. In F. Welter & D. Smallbone (Eds.), *Handbook of research on entrepreneurship policies in Central and Eastern Europe*. Cheltenham, U.K: Edward Elgar Publishing Limited.

⁸⁸ Nvivo did have full operability in other world languages, including Spanish, French and Mandarin Chinese, but Slavic languages were not yet amongst its available language pack add-ons.

- Dallago, B. (2011). SME policy and competitiveness in Hungary. *International Journal of Entrepreneurship and Small Business*, 13(3), 271-292.
- Dennis Jr., W. J. (2011a). Entrepreneurship, Small Business and Public Policy Levers - Part 1. *Journal of Small Business Management*, 49(1), 92-106.
- Dennis Jr., W. J. (2011b). Entrepreneurship, Small Business and Public Policy Levers - Part 2. *Journal of Small Business Management*, 49(2), 149-162.
- Dunsire, A. (1978). *The Execution Process*. Oxford: Martin Robertson.
- Duvanov, D. (2007). Bureaucratic Corruption and Collective Action: Business Associations in the Postcommunist Transition. *Comparative Politics*, 39(4), 441 - 461.
- Egidi, M. (1996). Creative Destruction in Economic and Political Institutions. In B. Dallago & L. Mittone (Eds.), *Economic institutions, markets, and competition : centralization and decentralization in the transformation of economic systems* (pp. xv, 400 p.). Cheltenham, UK ; Brookfield, Vt., US: Edward Elgar.
- Eurasia Foundation. (2007). Profiles in Local Economic Development. Kyiv: Eurasia Foundation.
- Fischer-Smith, R. (2013). The Earthquake Support Subsidy for Christchurch's Small and Medium Enterprises: Perspectives from Business Owners. *Small Enterprise Research*, 20, 40-54.
- Freeman, R. (2006). Learning in Public Policy. In M. Moran, M. Rein & R. E. Goodin (Eds.), *Oxford Handbook of Public Policy* (pp. xii, 983 p.). New York: Oxford University Press.
- Gilardi, F., & Radaelli, C. M. (2012). Governance and Learning. In D. Levi-Faur (Ed.), *The Oxford handbook of governance* (pp. xxii, 803 p.). Oxford: Oxford University Press.
- Giucci, R., Kirchner, R., Betliy, O., & Otten, T. (2010). Reforming the Simplified Taxation for Individual Entrepreneurs in Ukraine *Policy Paper Series [PP/05/2010]*. Berlin/Kyiv: German Advisory Group; Institute for Economic Research and Policy Consulting.
- Gustafsson, G., & Richardson, J. J. (1979). Concepts of Rationality and the Policy Process. *European Journal of Political Research*, 7, 415-436.
- Hansen, A. D. (2007). Governance Networks and Participation. In E. Sørensen & J. Torfing (Eds.), *Theories of Democratic Network Governance*. Basingstoke, New York: Palgrave Macmillan.
- Hogwood, B. W., & Gunn, L. A. (1984). *Policy Analysis for the Real World*. Oxford [Oxfordshire] ; New York: Oxford University Press.
- Hood, C. C. (1976). *The Limits of Administration*. London; New York; Sydney; Toronto: John Wiley & Sons.
- International Finance Corporation. (2007). Business Environment in Ukraine. In I. F. Corporation (Ed.): International Finance Corporation; European Commission.
- International Finance Corporation. (2009). The Costs of Tax Compliance in Ukraine. Kyiv: International Finance Corporation
- Investment Climate Advisory Services - World Bank Group.
- Interviews. (2012). *Policy Implementation in a Transition Economy: Two decades of Small and Medium Enterprise Development in Ukraine*. Interviews conducted with Ukrainian SME key informants (Ruth Fischer-Smith). University of Canterbury.
- Joint Committee of the EU-Ukraine Association Agenda. (2012). *Third joint report of the joint committee of the EU-Ukraine Association Agenda to the EU-Ukraine Cooperation Council*. Brussels; Kyiv: Vasil Filipchuk Gunnar Wiegard.
- Korostelina, K. V. (2013). Ukraine twenty years after independence: Concept models of the society. *Communist and Post-Communist Studies*, 46, 53-64.
- Langbein, L. I. (2002). Responsive Bureaus, Equity, and Regulatory Negotiation: An Empirical View *Journal of Policy Analysis and Management*, 21(3), 449-465.
- Ledeneva, A. (1998). *Russia's economy of favours: Blat, networking and informal exchange* (Vol. Vol. 10). Cambridge: Cambridge University Press.
- McIntyre, R. J. (2003). Small Enterprises in Transition Economies: Casual Puzzles and Policy-Relevant Research. In R. J. McIntyre & B. Dallago (Eds.), *Small and Medium Enterprises in Transitional Economies*. Houndmills, Basingstoke, Hampshire, New York: Palgrave Macmillan.
- Milward, H. B., & Provan, K. (2003). Managing the hollow state: Collaboration and contracting. *Public Management Review*, 5(1), 1 - 18.
- Morawska, E. (1999). The malleable homo sovieticus: Transnational entrepreneurs in post-communist East Central Europe. *Communist and Post-Communist Studies*, 32, 359-378.
- Protsyk, O. (2005). Constitutional Politics and Presidential Power in Kuchma's Ukraine. *Problems of post-communism*, 52(5), 23-31.

- Provan, K. G., & Kenis, P. (2008). Modes of Network Governance: Structure, Management, and Effectiveness. *Journal of Public Administration Research and Theory*, 18, 229-252.
- Radaelli, C. (2005). Diffusion without convergence: how political context shapes the adoption of regulatory impact assessment. *Journal of European Public Policy*, 12(5), 924-943.
- Sabatier, P. A. (1998). The Advocacy Coalition Framework: Revisions and Relevance for Europe. *Journal of European Public Policy*, 5(1), 98-130.
- Sabatier, P. A. (1999). *Theories of the policy process*. Boulder, Colo.: Westview Press.
- Scharpf, F. W. (1993). *Games in Hierarchies and Networks: Analytical and Empirical Approaches to the Study of Governance Institutions*. Frankfurt; Boulder, Colorado: Campus Verlag; Westview Press.
- Smallbone, D., & Welter, F. (2001). The Distinctiveness of Entrepreneurship in Transition Economies. *Small Business Economics*, 16, 249-262.
- Smallbone, D., & Welter, F. (2009). *Entrepreneurship and Small Business Development in Post-Socialist Economies*. London ; New York: Routledge.
- Smallbone, D., & Welter, F. (2010). Entrepreneurship and the Role of Government in Post-Socialist Economies: Some Institutional Challenges. *Unternehmertum und die Rolle des Staates in postsozialistischen Wirtschaften: Einige institutionelle Herausforderungen.*, 35(2), 320-333.
- Torring, J. (2012). Governance Networks. In D. Levi-Faur (Ed.), *The Oxford handbook of governance* (pp. xxii, 803 p.). Oxford: Oxford University Press.
- Weaver, R. K. (2014). Compliance Regimes and Barriers to Behavioral Change. *Governance: An International Journal of Policy, Administration, and Institutions*, 27(2), 243-265.
- Weible, C. M., Sabatier, P. A., Jenkins-Smith, H. C., Nohrstedt, D., Henry, A. D., & deLeon, P. (2011). A Quarter Century of the Advocacy Coalition Framework: An Introduction to the Special Issue *Policy Studies Journal*, 39(3).
- Welter, F. (1997). Small and Medium Enterprises in Central and Eastern Europe: Trends, Barriers and Solutions *RWI-Papier, Nr. 51*. Essen: Rheinisch-Westfälisches Institut für Wirtschaftsforschung.
- Whitford, A. B. (2007). Decentralized Policy Implementation. *Political Research Quarterly*, 60(1), 17-30.
- Wynnyckyj, M. (2003). *Institutions and Entrepreneurs: Cultural Evolution in the 'De Novo' Market Sphere in Post-Soviet Ukraine*. PhD, Sidney Sussex College, University of Cambridge.
- Zhelyazkova, A., & Torenvlied, R. (2011). The successful transposition of European provisions by member states: Application to the Framework Equality Directive. *Journal of European Public Policy*, 18(5), 690-708.
- Державна фіскальна служба України (at the time of video release the Ministry of Finance of Ukraine). (2011, 16 November). *Місця Мрії (video)*. Retrieved from <http://minrd.gov.ua/media-tsentr/videogalereya/prezentatsii-ta-inshi-materi/45.html> on 14 August 2014.
- Дубровський, В. І. (2012). Саморегулювання і передача до підприємницьких об'єднань низки державних функцій (Self-regulation and the transfer of some government functions to entrepreneur unions). In Д. В. Ляпін (Ed.), *Зелена книга малого бізнесу України (Green Book of Small Business in Ukraine)*. Київ: Інститут власності і свободи (Institute for Power and Freedom); Міжнародний фонд відродження (International Renaissance Fund).
- Закон про державну підтримку малого підприємництва No 2063-III (2000).
- Коваль, Л. П. (2012). Зміни у спрощеній системі оподаткування та їх вплив на фінансову безпеку малого підприємництва. *Науковий вісник НЛТУ України*, 22.1(Збірник науково-технічних праць).

9 Conclusion: A Renewed Look at Old Puzzles

This thesis has included four theoretical chapters (1-4) and four empirical chapters (5-8), although it is fair to say that both theoretical and empirical elements have been interwoven throughout. This concluding chapter incorporates both components into one summation, offering a closing analysis around the key reoccurring themes of the thesis. Through its designation of policy ‘typologies’ and ‘formal and informal institutions’, the newly proposed FSPIMPS has integrated many of these concepts in the model, as a way to reflect the broader thematic impact on implementation processes. As noted in Chapter 8, this dissertation derived some of these themes from the literature, identifying them early in the research design as expected ‘interaction variables’ (institutional infrastructure and governance, see Chapter 2). Other themes were theoretically based, informed through findings from previous policy implementation studies, including this dissertation’s guiding framework of ‘perfect implementation’ (policy styles and leadership). The remainder arose through the process of empirical data analysis and represented more context-specific issues for the geo-political region of Ukraine (SME advocacy networks, degree of policy complexity, and political time). All of the themes discussed in this chapter, both those gleaned from the literature and those informed by the empirical data, thus relate to overarching environmental factors that have influenced implementation processes. It would not be accurate to label any of these themes new ideas, as they all relate to well-known elements of the policy landscape, both previously expected and those derived from the empirical findings. They are thus presented as such, old wine in new skins (Kelley, 2006; Radaelli, 2005), or a renewed look at old puzzles in the policy arena.

9.1.1 SME institutional infrastructure

The topic of weak institutional business infrastructure has been central to this thesis, including organisational patterns in both formal and informal institutions. Research findings demonstrated that although conditions in Ukraine were improving in some ways, such as in increasingly positive world rank in ‘doing business’ (World Bank, 2012, 2013, 2014), many administrative challenges remained. As these circumstances were present prior to the research and had already been well-documented (Smallbone & Welter, 2001, 2009; Yacoub & Senchuk, 2000; Адамов, Ляшенко, Сорокін, & Толмачова, 2009; Васильців, Волошин, & Гуменюк, 2009), it was not surprising that such institutional obstacles continued to impact the policy implementation environment. The nature of such obstacles included both formal and informal establishments, which were often interconnected to quite a significant degree. For example, the State Tax Inspectorate, as a formal institution, encompassed within it the practice of informal payments (bribes) for tax officials. As was the case for many such examples in this dissertation, it was thus difficult to definitely distinguish where formal structure ended and informal began. For this reason, the distinction between formal and informal institutions has been introduced as part of the FSPIMPS model, although the complexity of the topic necessitates continued (ongoing) research.

Amongst the interaction variables defined in the research methodology, several could be considered under the wider umbrella of institutional infrastructure, including: societal attitudes towards market culture and private enterprise, quality of the Ukrainian judicial system and practices of selective justice, and corruption and rent-seeking behaviour. These three variables, derived from the literature and identified in Chapter 2, all constituted environmental factors (largely informal institutions) whose impact was too broad to isolate from the independent variables (SME-

based policy case studies). As ‘secure institutions’ are required for a stable, predictable business environment (Anos-Casero & Udomsaph, 2009, p. 30), the lack thereof in the Ukrainian context has remained central to this thesis. The interconnectedness between formal and informal was again critical in these interaction variables as, for example, the increased transparency of the Ukrainian legal system (formal) was interwoven with the ongoing practice of selective justice (informal).

A novice might therefore propose that effective policy implementation in Ukraine would not then be possible until such ‘informal’ obstacles such as corruption and weak rule of law are resolved. However, the discussions throughout this dissertation have established such a viewpoint as quite narrow. Fully ‘resolved’ obstacles are not the norm in any society, as complex political and socio-economic environments operate more in cyclical continuums than along a linear progression. This idea is supported in policy studies, where the prevailing wisdom suggests that problems are more often re-categorised, or broken down into smaller components, than they are ‘solved’ (Wildavsky, 1979). Taking this into account, this thesis has approached policy implementation from a case study perspective, in order to focus on microcosm effects that may be evaluated within broader environmental factors.

Regardless of these attempts, however, the continued lack of stable institutional support for Ukrainian SMEs, at both the formal and informal levels, has affected overall research findings. Most significantly, policy implementation processes have been applied inconsistently, from both a government and policy target (SME) perspective. A failure to establish predictable business environment infrastructure across such key sectors as permits and licencing, legal bodies, competitive market practices and financial institutions has reduced the potential of effective implementation. Ultimately, even well-designed policies can only do so much to counteract inhospitable institutional conditions, as policies have considerably less ‘durability’ than institutions (North, 1990). The low level of adherence to the FSPIMPS model may thus be a result of an overall unstable environment and the wider structural challenges it poses.

The responsibility for remedying this state of affairs does not sit unilaterally with government-based structures. Especially in the highly vertical governance structures still common in Ukraine, where power is concentrated in a few centralised bodies, policy targets need to critically assess their own interaction with institutional infrastructure. So long as government structures remain the ‘other’, with SMEs failing to integrate their own goals, objectives and even representatives into the system, the business infrastructure will remain uninterested in the needs of SME stakeholders. By taking a more integrated approach with formal institutions, SME business associations and SME-related NGOs may be able to better influence the evolution of state institutions. By continuing their ‘habitual avoidance’ of state bodies (McIntyre, 2003, p. 220), SMEs are themselves perpetuating the weakness of institutional infrastructure.

Recent work combining policy analysis and SME/entrepreneurial studies has suggested an improved policy typology for understanding the interaction of these two fields (Dennis Jr., 2011a, 2011b). Despite the seeming simplicity of these four types of policy ‘levers’,⁸⁹ their incorporation could be particularly instructional in an environment such as Ukraine or other post-Soviet countries, where SME strategy remains undeveloped and under-prioritised. By defining the constraints and opportunities inherent in each typology, the spectrum between ‘limiting’ and ‘nurturing’ development support systems for example (Dennis Jr., 2011b, p. 150), such frameworks may prove

⁸⁹ Discussed in several places throughout this thesis, the four levers include: 1) institutions and culture, 2) competition and intermediaries, 3) impediments and supports and 4) objectives and actions.

helpful in dissecting continued institutional obstacles in the business environment. Similarly to the FSPIMPS framework presented in Chapter 8, such theoretical models may represent the key towards continuing to improve both policy implementation and the surrounding institutional infrastructure, albeit by degrees. Although the impact of lacking institutional infrastructure arguably impacts every part of the implementation process, within the FSPIMPS framework this theme relates to several typologies, including criteria on ‘learning and best practice’, ‘communication and coordination’, ‘small number of key players’, ‘available resources’ and ‘levels of bureaucratic corruption’. The distinction between formal and informal in FSPIMPS additionally defines the type of institution where a problem is occurring, ideally translating into improved strategies for addressing the problem.

9.1.2 Policy styles matter

Another theme derived from the wider literature that interacted with the findings of this thesis was the notion of policy styles, or paradigms. As predominant policy paradigms are often responsible for the long-term ‘tectonic’ movements within a political system (Richardson, 2012), their impact on implementation processes will be critical. Scholars have determined that policymakers customarily work within a framework of ideas and standards (Hall, 1993, p. 279), which may be equitable with the ‘boundaries’ of a given policy system. Decisions taken outside of these boundaries have proven rare, with shifts in policy approaches ‘related to ideational change at all levels’ (Baumgartner, 2014, p. 478). However, the literature on policy styles has found that the most important issues are those most likely to be settled outside of the dominant policy style (Jordan & Richardson, 1983). The extrapolation from this finding in regards to this thesis might be that SME policy concerns are not viewed as a most critical issue, as they seem to have remained well-situated within the dominant Ukrainian policy paradigm.

Current policy styles in Ukraine have been categorised as highly-centralised (Welter & Smallbone, 2011), lacking incorporation of best practice examples (Yacoub & Senchuk, 2000), and possessing limited recursive information flow (Bateman, 2000). Many scholars understand such policy paradigms as a product of Soviet-era government styles, by which features of a centrally-planned government have remained throughout the transition process. Despite evolution towards a more democratic, market-based system, relearning governance models is proving more difficult than expected during the early days of transition. This will continue to detract from effective implementation, as decision-making structures remain inflexible, unable to adjust and adapt to changing conditions (such as increased stakeholder advocacy activities). As opposed to the ‘hollow state’ model (Milward & Provan, 2003), where governance is spread widely across public and private sector networks alike, Ukrainian policy styles remain quite rigid in their hierarchical structure and narrow band of integrated levels of government. The FSPIMPS model presented in this thesis thus includes a designation typology to reflect the impact of such policy paradigms, containing criteria on ‘political appeasement policy’ and ‘fits social milieu’.

9.1.3 Governance

Another theme, closely related to policy styles, derived both from the wider literature and the research findings was modes of governance. Throughout the chapters, this thesis has referred to the importance of inter-organisational agreement, and the difficulties of achieving this in practice (O'Toole & Montjoy, 1984; Provan & Kenis, 2008). When execution approaches between cooperating agencies remain disparate, the chances of effective implementation diminishes significantly. The notion of governance also connects to the intervening research variables discussed under the theme on institutional infrastructure, as considerations around judicial partiality and corruption

link back to the spectrum of actors involved in governance. This idea also relates directly to the aforementioned centralised nature of Ukrainian government styles, where the power imbalance between central and local authorities often created a lack of agreement between agencies.

The prevailing conditions, whereby the central bodies held nearly all of the decision-making levers, not only alienated regional and municipal governing bodies, such as oblas't administrations and city councils, but it also discouraged civil society actors from becoming involved in policy processes. The closed nature of governance in Ukraine created a type of 'aboslute' in the hands of state actors, which discouraged increased interaction between public and private actors (Smallbone & Welter, 2010, p. 327). This notion relates back to the discussion around institutional infrastructure (Section 9.1.1), where it was emphasised that the responsibility for improving the system did not rest solely with government but extended also to civil society actors. Within the difficulties created by a restrictive governing framework, wider scholarship maintained that it was up to SMEs to continue to 'integrate horizontally, improving their own business networks and advocacy organisations'. Although this was recognised as a difficult task, only through such 'self-sufficiency' could SME stakeholders work to improve policy conditions for themselves (McIntyre, 2003, p. 220).

One of the principal arenas where this self-sufficiency could potentially play a greater role was in the increasingly common discussion topic within Ukraine of self-regulated organisations (SROs) (Дубровський, 2012). As detailed in Chapter 8, 46% of interview respondents supported the introduction of SROs into the business environment, while only 16% of respondents directly opposed this idea. The emerging business clusters in the West and the East (discussed in Chapter 7) provided an example of developing SROs, whereby industry sectors were taking ownership of their own regulatory environment. Although the process was still in its infancy, assuming the trend continued as observed during fieldwork, it could well lead to wider governance networks within future policy systems. According to the literature, this type of interaction between policy targets and policymakers would likely increase 'policy legitimacy' for the wider pool of stakeholders (Torfing, 2012), by increasing the span of control over both policy creation and implementation. The increasingly sophisticated role of international actors inside Ukraine further testified to this process, with projects such as Local Investment and National Competitiveness (LINC) Parliamentary Development Project International Renaissance Foundation (IRF) working in partnership with grassroots, domestic NGOs (U.S. Agency for International Development, 2012; Відродження, 2014). If the observation of such changes, no matter their 'glacial' pace (Richardson, 2012) was already in progress during fieldwork, it seems possible to conclude that traditionally consolidated power structures in Ukraine are slowly broadening to include more diverse actor groups.

Within the FSPIMPS model, the governance theme was reflected primarily in the typologies of 'strategy and leadership' and 'agreement and coordination'. Within these typologies, notions governance were especially included in the criteria on 'clear authority', 'mutual understanding and commitment with mechanisms and incentives', 'active support and input from key stakeholders', and 'communication and coordination'.

9.1.4 SME advocacy networks

Just as the governance theme was closely related to that of policy styles, so were concepts of SME advocacy networks interlinked with the notion of governance. As this thesis has demonstrated throughout, grassroots advocacy approaches and education efforts are on the rise amongst SME stakeholder associations. On both the international and domestic fronts, organisations such as the Center for International Private Enterprise (CIPE) and projects such as the

Green Book for Small Business were creating new arenas for SME stakeholder interaction and discussion (Center for International Private Enterprise, 2014; Ляпін, Дубровський, Пішуліна, & Продан, 2012). Joined in these efforts to differing degrees by the multitude of SME business associations around the country, such as Fortyetsa and the Union of Entrepreneurs of Small, Medium-Sized and Privatized Enterprises of Ukraine (SPMSPPU) (Спілка підприємців малих, 2014; Фортетця, 2012), the SME stakeholder pool appeared to be engaging in ever more effective advocacy tactics. However, research findings revealed that the average participants in these networks were middle-aged business owners, with young entrepreneurs rarely represented amongst such organisations. It could therefore be deduced that a great many SMEs did not participate directly in advocacy efforts on behalf of their business interests, a not uncommon finding across the SME and entrepreneurial literature (Fischer-Smith, 2013; Lewis, Massey, Ashby, Coetzer, & Harris, 2007).

The challenge for grassroots business organisations therefore remained how to gain (and retain) both the momentum and strength of membership in order to be influential at the highest levels of policy decision making. A critical element to accomplishing these, and other key objectives, relates back to wider organisational strategy. Many of the SME associations and NGOs, interviewed for this research did not operate with clear strategic goals, despite the fact that they had been in existence for some time. In some cases, such as with the smaller scale groups in less urban metropolitan areas (Makiyivka (East) or Luts'k (West)), belonging to an association seemed to be the goal in and of itself, rather than the means to an end whereby stakeholder influence in the policy process was consistently increased. The few organisations that did demonstrate more concrete objectives, including the nation-wide All-Ukrainian SME Coalition (Coalition) or the Council of Entrepreneurs under the Cabinet of Ministers (Council), all too often attempted to remedy all obstacles at the same time, establishing far too wide an organisational scope of works (Всеукраїнська коаліція малого та середнього бізнесу, 2012; Рада підприємців при Кабінеті Міністрів України, 2011). Furthermore, such bodies were often led by individuals whose personal political ambitions alienated portions of the wider group membership, which proved counterproductive to the respective organisations' long-term SME advocacy goals. It is possible that the numerous stakeholder organisations could accomplish more in the long run by narrowing their objectives, focusing on achieving each landmark before branching out into further aims.

The FSPIMPS criterion that most directly reflects the theme of advocacy networks is 'active support and input from wider stakeholders', although further elements are included in criteria on 'mutual understanding and commitment with mechanisms and incentives', 'communication and coordination' and 'fits the social milieu'.

9.1.5 Leadership

One of the most frequently discussed themes throughout this thesis has been the notion of leadership. The impact of leadership on implementation processes was one of the earliest identified criteria from early measurement models (Hood, 1976), with the ability to manage compliance recognised as a critical element from early days of implementation scholarship (Scharpf, 1997). Perhaps the reason that clear authority is such a complex topic, however, is that the impact of a leader's abilities extends beyond than the ability to manage processes. Effective leadership is also dependent on the capacity to motivate (and even inspire) one's subordinates to action, skills that are not so easily taught.

A prime example from the research may be found in the differentiation between the leadership styles of Oleksandra Kuzhel' and Mikhail Brodsky, both of whom held the position of head of SCURPE/SSURPED for at least four years. As both Chapters 5 and 6 covered in detail, respondents held Kuzhel' in extremely high esteem, to the

point many SMEs spoke of her more as a hero than a government figure. Regarding her ability to achieve outcomes for SMEs, respondents cited her as effective and as possessing a clear strategic vision. On the other hand, the majority of respondents saw Brodskiy as an ineffective (even inept) bureaucrat without any real understanding of SMEs or the impact of policy actions upon their business environment. These differing evaluations of the two leaders seemed to boil down to the presence (or absence) of the critical leadership feature of charisma. Whereas Kuzhel' was perceived as sharp and witty, for many stakeholders an almost mythical figure, Brodskiy was cited as slow and dull, a man who regurgitated others' ideas rather than producing any of his own. In Kuzhel's case the presence of leadership charisma was amplified through her deep level of concern for the plight of SMEs, her meaningful interaction with firms around the country made her a 'champion' in the eyes of small business. Brodskiy's lack of communication (not a single respondent reported meeting him in person) with the SME sector, by comparison, only reduced his already weak leadership validity. Returning to the case of the Single Tax, research conclusions found the policy to have been successfully implemented during its introductory era under the leadership of Kuzhel'. The Single Tax reform era, however, lacked a clear leader, which contributed significantly to its unsuccessful implementation.

The theme of leadership also links back to the previous idea of SME advocacy networks, concerning the occurrence of group resources being used for individual political gain. As interview data has demonstrated throughout this thesis, it was not uncommon for leaders (both governmental and non-governmental) to use their work with the SME sector as a platform for propelling themselves into higher level positions. While to some degree, this simply represented a natural career trajectory, whereby individuals use past experience to gain increasingly powerful positions, the manner in which this process played out in Ukraine often left SMEs feeling misled, or even used. Thus it seems that, equally important to a leader's ability to inspire and motivate, is the maintenance of integrity, even loyalty, to ones' subordinates.

Such a broad theme as that of leadership could be the focus of future research in the field, as the complexities of the topic are broader than the discussions within this dissertation. Especially in the socio-cultural environment of post-Soviet nations, where personality-driven politics are often the norm, a greater exploration of leadership's impact on policy implementation could be valuable. The case for future research becomes even more convincing when considering the link between clear leadership and wider strategies for policy outcomes. Perhaps more so than links between other implementation criteria, the failure to operate with pre-defined, strategic objectives severely limits a leader's ability to be effective, as no clear blueprint exists for action. Thus, within the FSPIMPS model, the typology of 'strategy and leadership' most succinctly encompasses the notion of leadership, inclusive of both formal and informal institutions. Within this typology, criteria related to leadership included: 'clear authority' and 'cause and effect with best practice incorporation'.

9.1.6 Degree of policy complexity

A lesser-discussed theme has been impact of policy complexity on the implementation process. Within any policy spectrum, some initiatives require more effort than others, an idea distinguished through the difference between 'incremental' and 'non-incremental' policy making (Smith, 1973). Considering the case policies in this research, it may be said that the Single Tax represented an example of an incremental policy, where change was enacted by degrees over time. The inconsistent nature of SCURPE/SSURPED, on the other hand, could be considered a non-incremental policy, as its repeated disestablishment and recreation required sharper changes within the system. It is therefore conceivable that significantly more energy was required to implement SCURPE/SSURPED than was

necessary for the single tax. This could explain, in part, why the Single Tax was evaluated as having been successfully implemented (during its introductory era) while SCURPE failed to satisfy at least 50% of the implementation criteria.

This idea also relates back to the discussions around clear authority, as the impact of leadership will be especially critical during implementation of a ‘non-incremental’ policy. When radical shifts in policy direction are required, a weak leader is less likely to be able to effect such a change. As suggested by Wildavsky, policies are made up of ‘tensions’ between opposing forces. It therefore follows that successful implementation is the art of ‘resolving’ these tensions (Wildavsky, 1979, p. 17), clearly a more difficult exercise in the face of drastic, rather than gradual, change. The example of Brodskiy as head of SCURPE/SSURPED attests to this, as his ineffective leadership was not able to gather sufficient momentum to push through significant changes to the agency’s operational responsibilities. Especially in the case of a complex, multi-pronged policy such as SCURPE/SSURPED, this lack of a ‘champion’ may have been the policy’s undoing.

Within the FSPIMPS framework, the impact of policy complexity within the extends across nearly every typology, including both formal and informal institutions, as its influence derives more from the policy case in question than from any other single factor.

9.1.7 Political time

One of the lesser-discussed themes impacting research results was the effect of time on the political process. The peripheral nature of this theme to data analysis was in part due to the ‘ubiquity’ of time as an influential variable, which has tended to ‘discourage its systematic analysis’ by scholars to date (Goetz & Meyer-Sahling, 2009). Further, the research that has been conducted on political time has approached the problem largely by viewing time as a dependent variable, seeking to understand how ‘political time is institutionalized’, with most work based in the EU (2009). And while such research includes elements that resonate with the impact of time on this thesis, such as time’s effect on policy legitimacy and power structures, time’s role as an intervening variable may also impact the research findings in this thesis.

In terms of time’s role as an intervening variable on the policy process, his research has labelled the phenomenon ‘time seepage effect’, indicating that the longer a policy has been in place the more of its elements have ‘seeped’ into the governance system. Another way to understand this concept could be ‘fear of the new’, whereby the resistance of policy actors (implementation actors and policy targets alike) to a particular programme diminishes with time. This research observed such an occurrence of ‘time seepage’ in regards to the SME development support carried out by RFSE (and UFSE), whereby SME stakeholders viewed the older programme elements as more legitimate than newly introduced agendas. It thus appears that policies may become ever more acceptable as time integrates them into the political, cultural and economic fabric of their environment. The literature around ‘timescapes’ also touches on these notions (Bulmer, 2009; Dyson, 2009), but further research on the topic of time would be required before any preliminary conclusions could be drawn. However, observations from the data presented here indicate that new policies may become more palatable with time, somewhat independently from their implementation effectiveness.

The aforementioned notion of selective memory, or ‘rose-tinted spectacles’, would also have factored into time’s effects on the research findings. Data presented in Chapter 7 examined this idea directly in terms of key respondent perception of the wider policy environment. The most obvious example showed that a majority of respondents preferred President Kuchma’s leadership above all other Ukrainian presidents in regards to SME tax policy. This findings potentially indicated that Kuchma was particularly capable in the arena of tax policy design and

implementation (which was not inaccurate), but they may also have demonstrated a type of nostalgia for past times in comparison with the difficult conditions of the present (2012). By contrast with the Yanukovych administration, disliked by so many respondents, the Kuchma administration thus appeared preferable. The fact that the accuracy of recollection also fades with time would further have distorted the positive light in which many held Kuchma (Langbein, 2002), especially considering that objections to his governance resulted in the public movement of 'Kuchma-gate'. It is thus likely that the effects of time further impacted the research findings towards reducing negative perceptions with time.

9.2 Final conclusions

This thesis has accomplished its primary objective towards widening the academic context in which policy implementation is studied. Prior to this research, theoretical models for implementation assessment had been limited to those built for use in traditionally western, pluralist democracies, with very little research conducted in other socio-political environments. This dissertation thus set out to modify current, western-centric frameworks in order to produce a model to better fit conditions in post-Soviet states. This was achieved through the application of existing theoretical information, in order to produce an updated model against which to assess implementation in a post-communist context.

An amalgamation of existing implementation assessment frameworks, the model for Amalgamated Implementation Criteria (AIC) provided the theoretical basis for data collection. The expansive dataset arising from interviews with key respondents (141) provided rich and broad-ranging material that directly informed the addition and modification of several criteria from the preliminary AIC model. The result was the newly proposed Fischer-Smith Policy Implementation Measurement for Post-Soviet States (FSPIMPS), derived through both the theoretical and empirical considerations. The new model's incorporation of socio-political factors frequently present in transition nations provided a more nuanced framework for determining implementation effectiveness in such a setting.⁹⁰ Beyond the primary objective of its design, the FSPIMPS model met additional research goals through its applicability for both theoreticians and policy practitioners. Although the original research hypothesis was not confirmed, with findings indicating that implementation effectiveness in Ukraine was not following an upward trend of improvement with time, research results produced valuable conclusions to inform future research. Although this thesis has also considered the idea that conducting a policy implementation study in Ukraine may have been premature, it would then have to be asked: can implementation obstacles only be addressed systematically in a mature policy system? Furthermore, do not policy processes mature through their examination and subsequent improvement? If scholars were to restrict themselves to conducting policy research only in economically stable, highly transparent democracies, research findings would continue to be only narrowly applicable. By expanding the range of contexts where implementation assessment may be utilised as an analytical tool, the FSPIMPS model encourages future researchers to address new policy environments, many of which would significantly benefit from increased study.

Beyond the FSPIMPS model and the negation of the research hypothesis, outcomes included detailed information on the evolving nature of interaction between policy actors in Ukraine. This thesis found that dialogue between government, non-governmental and private actors was improving, largely due to increasing SME advocacy

⁹⁰ The dramatic political events that began in November 2013 and continued through to the time of writing, will need to be addressed in any future application of FSPIMPS in Ukraine.

activity at a grassroots level. Interactive forums, often run by international NGOs, were enhancing the advocacy process both directly, through education, and indirectly, through SME networking platforms. Findings also demonstrated that a many people considered Ukraine's centralised power structure to be overly restrictive, thereby supporting increasing autonomy for regional and municipal authorities. Within the specific policy cases, data on the Simplified Single Tax showed that more people were increasingly aware of the need to move away from the single tax system for entrepreneurs. However, a gradual change process was preferred, requiring transparent government communication with affected stakeholders throughout. Development policies, such as SCURPE/SSURPED, were seen as theoretically valuable but needed to be more narrowly targeted in order to be practically applied. The deficit of strong leadership also proved a critical factor in the successful implementation of development programmes. Finally, research conclusions indicated that the nature of successful policy implementation did not flow only from the top-down. In order to improve policy efficiency, information needed to flow back and forth, from implementing agencies to policy targets and back again. Only through this recursive communication loop, where policy monitoring and reporting information was routinely exchanged, could implementation become more effective. Although the FSPIMPS model has made first strides towards clarifying the impact of bottom-up information flow within the implementation system, exploration of this topic in particular could be a valuable focus of future research.

This concluding chapter has returned to the broader themes affecting policy implementation, drawing meaningful connections between the research findings and the theoretical literature. The topics covered in this chapter all represent macro-level factors in the policy process, with the potential to influence outcomes above and beyond pre-defined variables. Critically, the empirical findings confirmed the impact of all these themes on the implementation process, and the importance of accounting for their presence when designing research on implementation efficiency.

9.2.1 Future research directions

Beyond its use in post-Soviet conditions, the FSPIMPS model has potential applications in wider contexts as well. Many elements of the model have relevancy for policy systems in nearly every part of the world, not only in other developing nations but also in the western democracies that gave rise to the original implementation assessment frameworks. Specific applications of FSPIMPS in future research could include applying the model in depth to a different post-Soviet republic, such as Georgia. As both the transition literature and the data from this research indicate that Georgia has experienced considerably more success than Ukraine in combatting systemic corruption and creating policy transparency, it would be interesting to test this idea empirically. Doing so would further explore the limits of FSPIMPS, potentially increasing its robustness. Policy scholars have already called for such explicit application of potential policy learning through 'target sites' that can operate as laboratories for policy learning and adaptation (Bardach, 2004).

The model could also be retested in Ukraine, following the military and political events taking place during the end of 2014. When daily developments subside and (if) stability returns, there could be a case for reapplying the FSPIMPS model in the same context as this research. This would allow further exploration of the idea posited in Chapter 7, that policy implementation norms were in fact improving with time, with the Yanukovych administration simply an outlier to the trend. As suggested above, reapplying FSPIMPS in Ukraine could focus on the development of policy reporting mechanisms, documenting their impact on implementation efficiency as one method of testing the outlier theory.

It is also possible that the negation of this thesis' hypothesis, speaks to a more worrying limitation around the capability of semi-democratic environments to incorporate transparent, democratically-based policy principles. Perhaps former-Soviet countries are thus culturally restricted in ways that only time can diminish. Comparative analysis between policy implementation in Ukraine with a new EU nation such as Poland would be one way to explore this idea further. Although Poland was not a Soviet republic, it contained many facets of a centrally-planned system, from which it has seemingly transitioned much more effectively than has Ukraine.

Finally, it is possible that some of the insights presented by the FSPIMPS model could be applied to the field of policy studies, where the concept of implementation criteria could be re-examined in consideration of the research findings presented in this thesis. Significantly, the thematic considerations discussed throughout the thesis and summarised in this chapter, should be overtly incorporated into implementation research in contexts beyond the post-Soviet sphere of this current project. The same could be said for the policy typologies within FSPIMPS, whose definition may be particularly useful for policy practitioners in isolating the cause of implementation obstacles. The model's distinction between formal and informal institutions provides a further guide towards incorporating the nuances of the policy system into any efforts to mitigate implementation barriers.

The research in this thesis strove to highlight both empirical and theoretical oversights in the confluence where policy studies, transition studies and SME/entrepreneurial studies intersect. By approaching the subject matter through policy implementation frameworks, the research has applied existing approaches to new contexts. As anticipated, research outcomes have thus informed both the theoretical field of policy scholarship as well as practical considerations regarding implementation in post-communist transition nations. The 'renewed' insights into 'old' policy problems have the potential to be useful for scholars in both policy studies, as well as those concerned with either transition nations or SMEs and entrepreneurial studies. Within these fields of study, the research findings touch on key factors influencing the global themes of evolving market economies, transparent democracy and the empowerment of the middle class. Findings have purposefully been presented throughout this thesis in a way that may be useful for both theoreticians and practitioners, as the ability to be practically applied has been a core objective throughout the research process. The FSPIMPS model has identified aspects of the policy process previously unincorporated into theoretical frameworks, and it has done so through an extremely current policy dataset for Ukraine. The inclusion of new, post-communist transition factors into FSPIMPS has created a new basis for continued study, be it in post-Soviet, developing nation, or even western contexts, by providing a more complete backdrop for future research into policy dynamics.

References Cited

- Anos-Casero, P., & Udomsaph, C. (2009). What Drives Firm Productivity Growth? In E. E. a. C. A. D. E. P. Sector (Ed.), *Policy Research Working Paper 4841*: World Bank.
- Bardach, E. (2004). Presidential address—The extrapolation problem: How can we learn from the experience of others? *Journal of Policy Analysis and Management*, 23(2), 205-220.
- Bateman, M. (2000). Neo-Liberalism, SME Development and the Role of Business Support Centres in the Transition Economies of Central and Eastern Europe. *Small Business Economics*, 14(4), 275-298.

- Baumgartner, F. R. (2014). Ideas, paradigms and confusions. *Journal of European Public Policy*, 21(3), 475-480.
- Bulmer, S. (2009). Politics in Time meets the politics of time: historical institutionalism and the EU timescape. *Journal of European public policy*, 16(2), 307-324.
- Center for International Private Enterprise. (2014). *Center for International Private Enterprise - Eurasia*. Retrieved from <http://www.cipe.org/region/eurasia> on 4 September 2014.
- Dennis Jr., W. J. (2011a). Entrepreneurship, Small Business and Public Policy Levers - Part 1. *Journal of Small Business Management*, 49(1), 92-106.
- Dennis Jr., W. J. (2011b). Entrepreneurship, Small Business and Public Policy Levers - Part 2. *Journal of Small Business Management*, 49(2), 149-162.
- Dyson, K. (2009). The evolving timescapes of European economic governance: contesting and using time. *Journal of European Public Policy*, 16(2), 286-306.
- Fischer-Smith, R. (2013). The Earthquake Support Subsidy for Christchurch's Small and Medium Enterprises: Perspectives from Business Owners. *Small Enterprise Research*, 20, 40-54.
- Goetz, K. H., & Meyer-Sahling, J.-H. (2009). Political time in the EU: dimensions, perspectives, theories. *Journal of European Public Policy*, 16(2), 180-201.
- Hall, P. (1993). Policy paradigms, social learning, and the state: the case of economic policymaking in Britain. *Comparative politics*, 275-296.
- Hood, C. C. (1976). *The Limits of Administration*. London; New York; Sydney; Toronto: John Wiley & Sons.
- Jordan, A. G., & Richardson, J. J. (1983). Policy Communities: The British And European Policy Style. [Article]. *Policy Studies Journal*, 11(4), 603-615.
- Kelley, J. (2006). New Wine in Old Wineskins: Promoting Political Reforms through the New European Neighbourhood Policy. *Journal of Common Market Studies*, 44(1), 29-55.
- Langbein, L. I. (2002). Responsive Bureaus, Equity, and Regulatory Negotiation: An Empirical View *Journal of Policy Analysis and Management*, 21(3), 449-465.
- Lewis, K., Massey, C., Ashby, M., Coetzer, A., & Harris, C. (2007). Business assistance for SMEs: New Zealand owner-managers make their assessment. *Journal of Small Business and Enterprise Development*, 14(4), 551-566.
- McIntyre, R. J. (2003). Conclusions: The Role of Public Policy in SME Development. In R. J. McIntyre & B. Dallago (Eds.), *Small and Medium Enterprises in Transitional Economies*. Houndmills, Basingstoke, Hampshire, New York: Palgrave Macmillan.
- Milward, H. B., & Provan, K. (2003). Managing the hollow state: Collaboration and contracting. *Public Management Review*, 5(1), 1 - 18.
- North, D. C. (1990). *Institutions, institutional change, and economic performance*. Cambridge ; New York: Cambridge University Press.
- O'Toole, L. J., Jr., & Montjoy, R. S. (1984). Interorganizational Policy Implementation: A Theoretical Perspective. *Public Administration Review*, 44(6), 491-503.
- Provan, K. G., & Kenis, P. (2008). Modes of Network Governance: Structure, Management, and Effectiveness. *Journal of Public Administration Research and Theory*, 18, 229-252.
- Radaelli, C. (2005). Diffusion without convergence: how political context shapes the adoption of regulatory impact assessment. *Journal of European Public Policy*, 12(5), 924-943.
- Richardson, J. (2012). The Onward March of Europeanization: Tectonic Movement and Seismic Events. In J. Richardson (Ed.), *Constructing a Policy-Making State?: Policy Dynamics in the EU*. Oxford: Oxford University Press.
- Scharpf, F. W. (1997). *Games Real Actors Play: Actor-centered Institutionalism In Policy Research*. New York: Westview Press.
- Smallbone, D., & Welter, F. (2001). The role of government in SME development in transition economies. *International Small Business Journal*, 19(4), 63(19).
- Smallbone, D., & Welter, F. (2009). *Entrepreneurship and Small Business Development in Post-Socialist Economies*. London ; New York: Routledge.
- Smallbone, D., & Welter, F. (2010). Entrepreneurship and the Role of Government in Post-Socialist Economies: Some Institutional Challenges. *Unternehmertum und die Rolle des Staates in postsozialistischen Wirtschaften: Einige institutionelle Herausforderungen.*, 35(2), 320-333.
- Smith, T. B. (1973). The Policy Implementation Process. *Policy Sciences*, 4, 197-209.
- Torring, J. (2012). Governance Networks. In D. Levi-Faur (Ed.), *The Oxford handbook of governance* (pp. xxii, 803 p.). Oxford: Oxford University Press.

- U.S. Agency for International Development. (2012). *Local Investment In National Competitiveness: Ukraine*. Retrieved from <http://usaidlandtenure.net/project/local-investment-national-competitiveness-ukraine> on October 25 2014.
- Welter, F., & Smallbone, D. (2011). Entrepreneurship policies in the wider Europe: A thematic perspective. In F. Welter & D. Smallbone (Eds.), *Handbook of research on entrepreneurship policies in Central and Eastern Europe*. Cheltenham, U.K: Edward Elgar Publishing Limited.
- Wildavsky, A. (1979). *Speaking Truth to Power: The Art and Craft of Policy Analysis*. Boston; Toronto: Little, Brown and Company.
- World Bank. (2012). Doing Business 2012: Doing business in a more transparent world - Regional Profile: Eastern Europe and Central Asia (ECA) *Doing Business Annual Reports*. Washington DC: World Bank/International Finance Corporation.
- World Bank. (2013). Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises *Doing Business Annual Reports*. Washington DC: World Bank/International Finance Corporation.
- World Bank. (2014). Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises *Doing Business Annual Reports*. Washington DC: World Bank/International Finance Corporation.
- Yacoub, M., & Senchuk, B. (2000). The State of Small Business in Ukraine. In Center for Social Expertise and Forecasting of the Institute of Sociology (Ed.), *The International Finance Corporation Survey of Ukrainian Small Enterprises*: International Finance Corporation in association with Ministry of Foreign Affairs of Norway and USAID.
- Адамов, Б. І., Ляшенко, В. І., Сорокін, Б. А., & Толмачова, Г. Ф. (2009). Стан малого підприємництва та регуляторного середовища в Україні. *Економічний вісник Донбасу*, 1(15), 42-49.
- Васильців, Т. Г., Волошин, В. І., & Гуменюк, А. М. (2009). *Пріоритети та засоби зміцнення економічної безпеки малого і середнього підприємництва*. Львівська комерційна академія.
- Відродження, М. ф. (2014). *International Renaissance Fund in Ukraine*. Retrieved from <http://www.irf.ua/> on 4 September 2014.
- Всеукраїнська коаліція малого та середнього бізнесу. (2012). Резолюція Всеукраїнська коаліція малого та середнього бізнесу. In В. к. м. т. с. бізнесу (Ed.), (pp. 1). Київ.
- Дубровський, В. І. (2012). Саморегулювання і передача до підприємницьких об'єднань низки державних функцій (Self-regulation and the transfer of some government functions to entrepreneur unions). In Д. В. Ляпін (Ed.), *Зелена книга малого бізнесу України (Green Book of Small Business in Ukraine)*. Київ: Інститут власності і свободи (Institute for Power and Freedom); Міжнародний фонд відродження (International Renaissance Fund).
- Ляпін, Д. В., Дубровський, В. І., Піщуліна, О. М., & Продан, О. П. (2012). *Зелена книга малого бізнесу України [Green Book of Small Business in Ukraine]*. Київ: Інститут власності і свободи (Institute for Power and Freedom); Міжнародний фонд відродження (International Renaissance Fund).
- Рада підприємців при Кабінеті Міністрів України. (2011). *Рада підприємців при Кабінеті Міністрів України*. Retrieved from <http://radakmu.org.ua/> on 9 April 2014.
- Спілка підприємців малих, с. і. п. п. У. (2014). *Спілка підприємців малих, середніх і приватизованих підприємств України*. Retrieved from <http://www.spmsspku.kiev.ua/> on 8 April 2014.
- Фортетця. (2012). *Громадська організація "Всеукраїнське об'єднання підприємців малого та середнього бізнесу "Фортеця"*. Retrieved from <http://fortetsya.org.ua/> on 1 January 2012.

Appendix A – Interview and survey questionnaires

Interview Questionnaire – English

General information

1. What organisation do you currently work for?
2. What was your primary motivation for taking this position/starting this research centre?
3. How long have you been in this current position? [probe for similar past positions]
4. How many people [approximate] work for this organisation/agency?
5. How long has the organisation existed in this current format?
6. Who/where does funding come from?
7. Which sources do you use most often to keep updated? [probe: professional organisations, business associations, internet websites, magazines and newspapers, television, friends, meetings/conferences].
8. Which sources [if any] are you responsible for updating?

Longitudinal information

9. Which period since 1991 has been most effective for creating a good environment for SMEs in Ukraine? What were some of the characteristics that made this time particularly effective?
10. After which presidential election did you notice the most positive changes for the SME operating environment? The most negative changes?

Tax policy information

11. During which years has tax policy been best for SMEs in Ukraine? Why?
12. Who do you consider to be the primary authority behind implementing tax policy?
13. Which other agencies seem to play an important role in this process?
14. Which business groups and associations seem most active you in making positive changes for tax policy reform in Ukraine?
15. How was this different under Yushchenko? Kuchma? Kravchuk?
16. What is your role in the implementation process for tax policy?
17. Do you have adequate resources (prompt: funding, staff, administrative supplies, information networks) to perform what is expected of you in this role?
18. With which groups/businesses do you work with most closely on tax policy? Do they have adequate resources?
19. The Single tax for entrepreneurs has been reformed many times. In your opinion, what are the primary obstacles preventing its successful implementation?
20. The Tax Maidan of 2010 has been noted as an important turning point for enterprises in Ukraine? What were the key reasons that businesses/people chose to participate in this action?
21. Do you think that the recent reforms to the tax policy enacted in January 2012 will improve the situation for enterprises in Ukraine?
22. Do you participate in the tax reform round-tables? What do you see as the goal of these roundtables?

SME development information

23. During which years have development conditions been best for SMEs? Why?
24. Who do you consider to be the primary authority/authorities behind implementing development programmes policy?

25. Do they have adequate resources (prompt: funding, staff, administrative supplies, information networks) to perform what is expected? Do you?
26. How was this different under Yushchenko? Kuchma? Kravchuk?
27. There has been much talk amongst SME reformers about transitioning to a more self-regulated environment for business sectors, in order to minimise state control over private enterprise, do you think this would be a positive change? Why or why not?
28. What is your understanding of why SCURPE (Госкомпредприимателство or Держкомпідприємство) was dissolved? What is your understanding of which agency/agencies now play the role of the former SCURPE? How do you expect this will change the development regulation for SMEs?
29. In your experience, which international actors currently play the biggest role in advising and supporting SME development in Ukraine?
30. How has this situation changed in the last 5/10 years?
31. Have you participated or coordinated any external-assistance programmes for SMEs? If so, what were some of the positive aspects of this programme? What were some of the negative aspects?
32. Are there any specific barriers to business operating conditions, or any other details, that I haven't specifically asked about in this interview that you'd like to mention?

Survey questionnaire – English

On a scale of 1-5, with 1 being 'no effect' and 5 being 'a strong effect', how much influence do you think such business groups, associations and research centres have today on how tax policy is made?

	1	2	3	4	5
--	---	---	---	---	---

On a scale of 1-5, if one is 1 is 'poor' and 5 is 'excellent', how would you rate your communication levels with such groups when you work with them?

	1	2	3	4	5
--	---	---	---	---	---

On a scale of 1-5, with 1 being 'no effect' and 5 being 'a strong effect', how much influence do you think such business groups, associations and research centres have today on how SME development programmes are carried out?

	1	2	3	4	5
--	---	---	---	---	---

On a scale of 1-5, with 1 being 'no action' and 5 being 'very involved action', what kind of role does your city government play in SME development?

	1	2	3	4	5
--	---	---	---	---	---

On a scale of 1-5, which 1 being 'no importance' and 5 being 'high importance', how much influence do international actors have on policy making affecting SMEs in the Ukrainian government?

	1	2	3	4	5
--	---	---	---	---	---

Interview Questionnaire - Russian

Общая информация

1. У какой организации (какого агентства) Вы работаете?
2. Какова была главная причина работать у этой организации (какого агентства)?
3. Как долго Вы в этой организации? [выяснить о бывших похожих организациях]
4. Сколько у организации (агентства) сейчас рабочих?
5. Как долго, организация (агентство) оперативная?
6. От куда финансирование?
7. Откуда Вы обычно получаете информацию, связанную с вашей работой? (выяснить: профессиональные организации или союзы, бизнес-организации, интернет сайты, журналы и газеты, друзья, конференции)
8. Со какими средствами Вы (или ваша организация (агентство)) справляетесь?

Долгосрочная информация

9. С 1991 года, какой период представлялся самым действенным (эффективным) климатом для МСПов в Украине? Назовите некоторые из характеристик, которые делали этот период особенно эффективным?
10. После каких президентских выборов Вы отметили самые хорошие изменения операционного климата МСПов? А после какого самые плохие изменения?

Информация по налоговой политике

11. Какие годы были самыми лучшими для бизнеса в плане налоговой политики? Почему?
12. Как вы считаете, кто является главным органом по осуществлению налоговой политики?
13. Какие другие агентства играют важные роли?
14. Какие группы и ассоциации кажутся вам самыми активными по осуществлению хорошим изменений в реформе налоговой политики в Украине?
15. Что осуществлялось по-другому во время правления Ющенко? Кучмы? Кравчука?
16. Какая роль Вы (организация) играете в осуществлении налоговой политики? К каким группам/бизнесам Вы даете информацию?
17. Как Вы считаете, достаточно ли у Вас ресурсов для этого?
18. С какими другими организаций Вы больше всего работаете по осуществлению налоговой политики? Как Вы считаете, достаточно ли у этих групп ресурсов для осуществления налоговой политики?
19. Уже было много реформ на "единый налог для предпринимателей". По вашему, каковы главные препятствия, мешающие его успешному осуществлению?
20. Налог на Майдан 2010 года был отмечен как важный пункт для Украинского предпринимательства, каковы были главные причины участия в этом "Майдане"? (выяснить о личном участии)
21. Как вы думаете, улучшат ли недавние реформы января 2012 года на налоговую политику условия для МСПов в Украине?
22. Участвуете ли Вы или ваша ассоциация в круглых столах налоговой реформы? Как Вы считаете, какова цель этих круглых столов?

Информация по политике развития МСПов

23. Какой период был лучшим для условий развития МСПов? Почему?
24. Как вы считает, кто является главным органом в осуществлении политики программ развития?

25. Как вы считаете, имеется ли у этих групп достаточно ресурсов (выяснить о финансировании, персонале, административных ресурсах, сети) за осуществление?
26. Что осуществлялось по-другому во время правления Ющенко? Кучмы? Кравчука?
27. Реформаторы МСПов обсуждают переход к саморегулируемому климату, чтобы уменьшить государственное управление над частными бизнесами. Как Вы думаете, это хорошее изменение? Почему?
28. По Вашему мнению, почему распускались Госкомпредпринимательства? Какие агентства будут сейчас осуществлять роль бывшего Госкомпредпринимательства? Как по Вашему мнению это изменит политику развития для МСПов?
29. По вашему опыту, какие международные «актеры» играют большую роль в консультировании и поддержке развития МСПов в Украине?
30. Как ситуация изменилась за последние 5/10 лет?
31. Получил ли Ваш бизнес поддержку (прямую или косвенную) от каких-либо проектов, которые получают международное финансирование (например TAIEH или бизнес-форумы ЕС)
32. Есть ли особые препятствия для условий бизнеса, или другие подробности, о которых я не спросила но должна знать?

Survey questionnaire – Russian

На шкале от 1 до 5, если 1 значит "без результата" и 5 значит "сильный результат", сколько у бизнес ассоциаций и научно-исследовательских центров влияния на процесс формирования налоговой политики?

1 2 3 4 5

На шкале от 1 до 5, если 1 значит плохо и 5 значит отлично, как Вы считаете свое сообщение с такими группами, когда Вы с ними работаете?

1 2 3 4 5

На шкале от 1 до 5, если 1 значит "без результата" и 5 значит "сильный результат", сколько у бизнес ассоциаций и научно-исследовательских центров влияния на ход программы развития МСПов?

1 2 3 4 5

На шкале от 1 до 5, если 1 значит "без действия" и 5 значит "много действия", какую роль играет Городская Рада и связанные с ней агентства на развитие МСПов?

1 2 3 4 5

На шкале от 1 до 5, если 1 значит "не важно" и 5 значит "очень важно", сколько у международных «актеров» влияния на процесс государственной политики, который касается на МСПов?

1 2 3 4 5

Interview Questionnaire - Ukrainian

Загальна інформація

1. Який ваш бізнес?
2. Яка була ваша головна мотивація для початку цього бізнесу?
3. Як довго ви займаєтесь цим бізнесом?
4. Скільки у вас зараз робітників?
5. Скільки з них працюють повний робочий час?
6. Більшість ваших замовників/клієнтів місцеві чи іноземні?
7. Які джерела ви використовуєте найчастіше для отримання оновленої інформації в сфері бізнесу? (професійні організації, ділові асоціації, інтернет - сайти, журнали і газети, телебачення, друзі, ділові зустрічі /конференції].
8. (якщо не було відповіді в попередньому питанні) Чи ви належите до будь-якої професійної спілки? Якщо так, до якої само і як довго ви були її членом?

Довгострокова інформація

9. Який період, починаючи з 1991-го року, ви вважаєте найбільш ефективним для створення сприятливих умов щодо розвитку МСПов в Україні? Назвіть характеристики, які зробили цей період особливо ефективним
10. Після яких президентських виборів ви відзначили різкіший зміни для операційного клімату МСПов?

Інформація щодо податкової політики держави

11. На протязі яких років податкова політика була найкращою для вашого бізнесу? Чому?
12. Кого ви вважаєте відповідальним за здійснення податкової політики, який орган влади?
13. Які інші державні органи та установи відіграють важливу роль в податковій політиці держави?
14. Які бізнес-групи та асоціації ви вважаєте найбільш активними в плані здійснення позитивного впливу на податкову політику України?
15. Як ця рівень активності реформа податкова політика відрзнялася за часи Ющенка? Кучми? Кравчука?
16. Яка ваша роль в процесі здійснення податкової політики?
17. Чи мають ви достатні ресурси (наприклад: фінансування, персонал, адміністративні матеріали, інформаційні мережі) для виконання того, що очікується від вас в цій ролі?
18. З якими групами та організаціями ви більше пов'язані? Чи мають ці групи достатньо ресурсів для здійснення податкової політики?
19. Вже були багато реформ на "єдиний податок для підприємців". На вашу думку, які перешкоди заважають його успішній реалізації?
20. Податок на Майдані у 2010 було візнано одним з важливіших пунктів для українських підприємців. Які були головні причини того, що підприємці організували таку акцію?
21. Чи вважаєте ви, що недавні реформи в податковій політиці, здійснені в січні 2012 року, будуть сприяти поліпшенню ситуації в сфері підприємництва в Україні?

22. Чи берете особисто ви чи ваша бізнес - асоціація участь в обговорюванні податкової реформи за круглим столом? Яка мета цих обговорень за круглим столом?

Інформація щодо політики розвитку МСП

23. Який період був найбільш сприятливим для розвитку МСПов? Чому?
24. Який орган ви вважаєте відповідальним за здійснення програм розвитку?
25. Як ви вважаєте, чи мають ці групи достатньо ресурсів (фінансування, персонал, адміністративні матеріали, мережі) для здійснення програм розвитку?
26. Яка різниця була за часи Ющенка? Кучми? Кравчука?
27. Останнім часом серед реформаторів малого та середнього бізнесу идуть розмови про перехід до більш саморегулюючих умов для бізнес - сектору, з метою мінімізації державного контролю над приватним підприємництвом. На вашу думку, це буде позитивною зміною? Чому так або чому ні?
28. Як ви вважаєте, чому Держкомпідприємство було розпущено? На вашу думку, яка установа / установи зараз виконує роль колишнього Держкомпідприємства? Як , на вашу думку, це може вплинути на регулювання розвитку МСП?
29. З вашого досвіду, які міжнародні організації в даний час відіграють велику роль в консультуванні та підтримці малого та середнього бізнесу в Україні?
30. Як ця ситуація змінилася протягом останніх 5/10 років?
31. Чи отримав ваш бізнес підтримку (пряму чи непряму) з проектів, що фінансуються міжнародними організаціями (такими, як ЕС TAIEH або бізнес-форум). Якщо так, якими були позитивні аспекти цієї програми? Які були негативні аспекти?
32. Чи існують якісь конкретні специфічні бар'єри для розвитку бізнесу, про які я не запитала в цьому інтерв'ю, та які ви б хотіли відзначити?

Survey questionnaire – Ukrainian

За шкалою 1-5, де 1 означає «зовсім не впливає»

а 5 – «має значний вплив», на Вашу думку, який вплив мають сьогодні бізнес-групи, асоціації і та дослідницькі центри на те, як здійснюється податкова політика?

1 2 3 4 5

За шкалою 1-5, де 1 означає «погано» і 5 значить

«відмінно», як Ви вважаєте своє повідомлення з такім групами, коли Ви з ними працюєте?

1 2 3 4 5

За шкалою 1-5, де 1 «не впливає» а 5 –

«має значний вплив», який вплив мають сьогодні бізнес-групи, асоціації та дослідницькі центри на те, як здійснюється програми розвиток МСП?

1 2 3 4 5

За шкалою 1-5, де 1 «не здійснює ніяких дій»

і 5 «бере активну участь», яку роль у розвитку малого і середнього бізнесу відіграє Ваша міська влада?

1 2 3 4 5

За шкалою від 1-5, де 1 «не відіграють ніякої ролі»

а 5- «відіграють значну роль» , який вплив мають міжнародні партнери на політику уряду України?

1 2 3 4 5

Appendix B – Quantitative survey data

Table B.1 - Survey respondent statistics by demographic and region⁹¹

	Centre	South	East	West	Total
Demographic A	7	7	9	10	33
Demographic B	23	5	11	12	51
Demographic C	21	41	20	12	94
Total	51	53	40	34	178

⁹¹ Table B.1 was previously displayed in Chapter 7 as Table 7.25.

Figure B.2 – Perception of business group influence on tax policy – Cross-regional

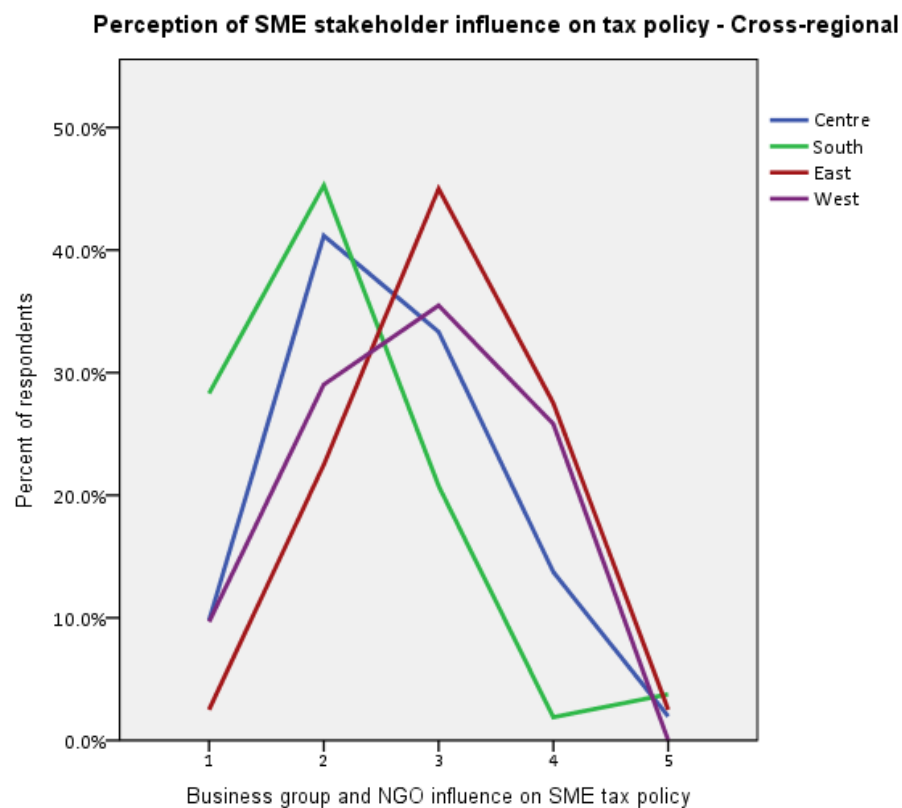


Figure B.3 – Perception of business group influence on tax policy – Cross-demographical



Figure B.4 – Perception of SME stakeholder communication channels – Cross-regional

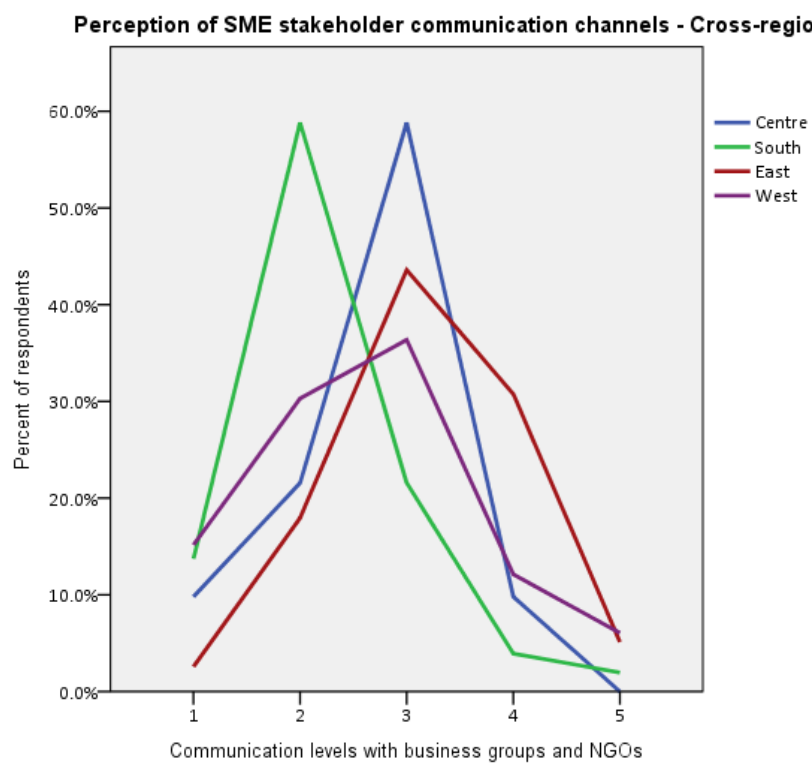


Figure B.5 – Perception of SME stakeholder communication channels – Cross-demographical

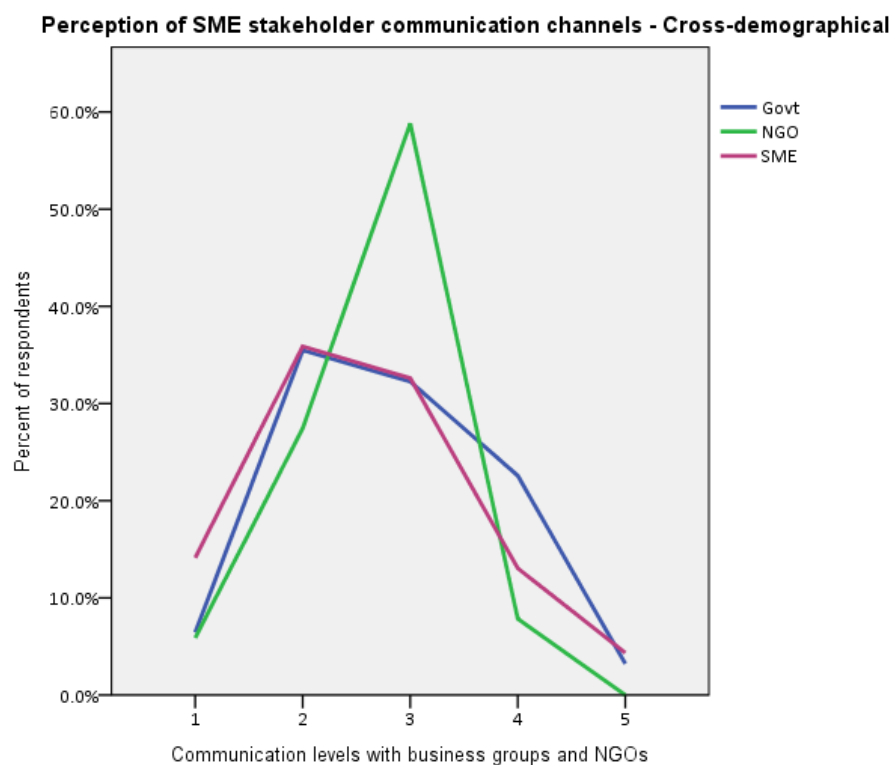


Figure B.6 – Perception of business group influence on development policy – Cross-regional

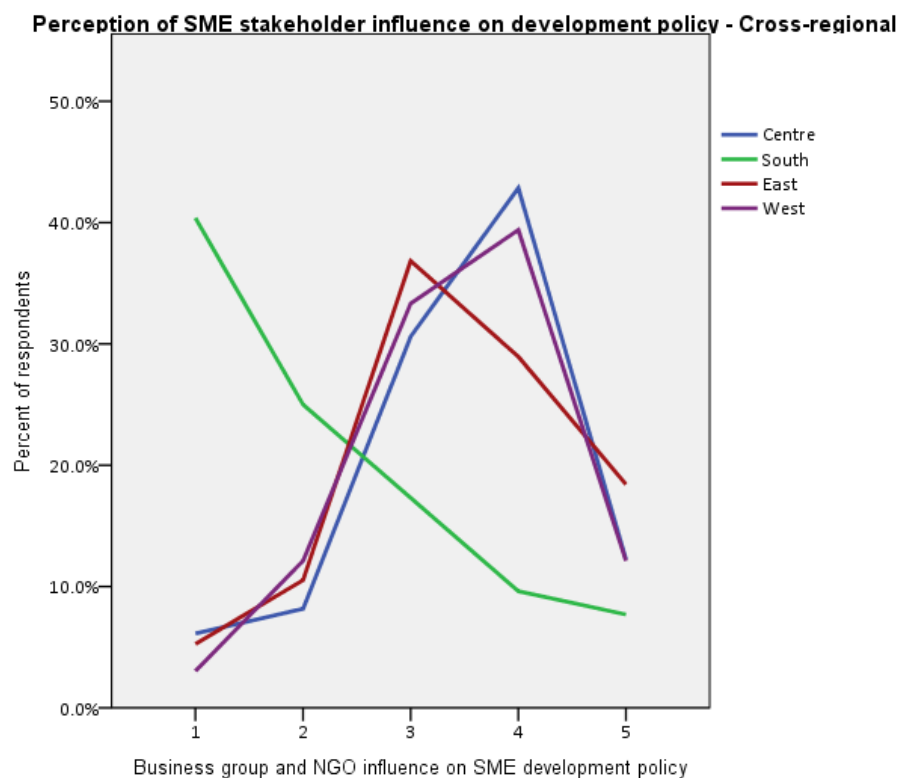


Figure B.7 – Perception of business group influence on development policy – Cross-demographical

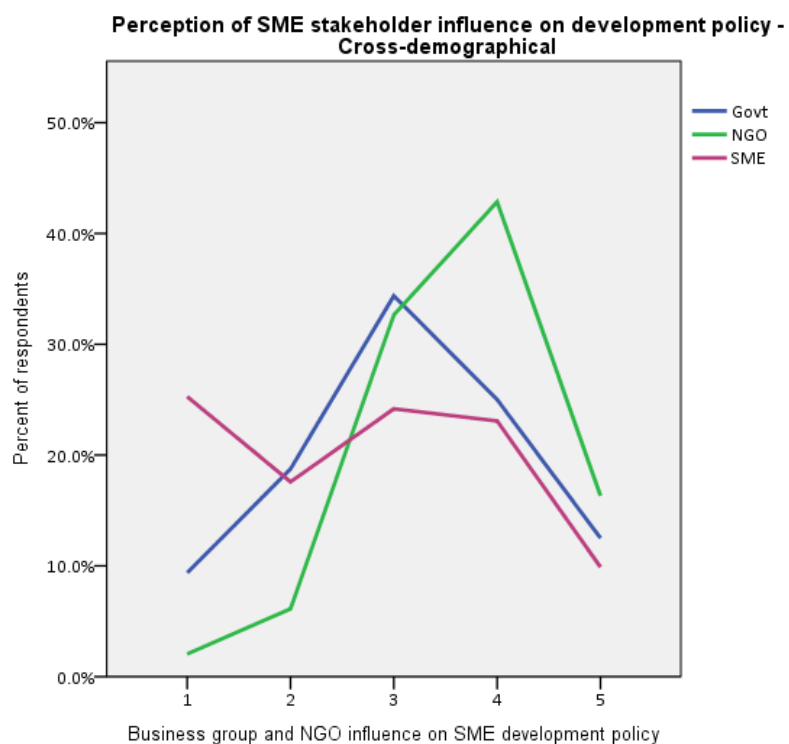


Figure B.8 – Perception of local government role in SME development policy- Cross-demographical⁹²

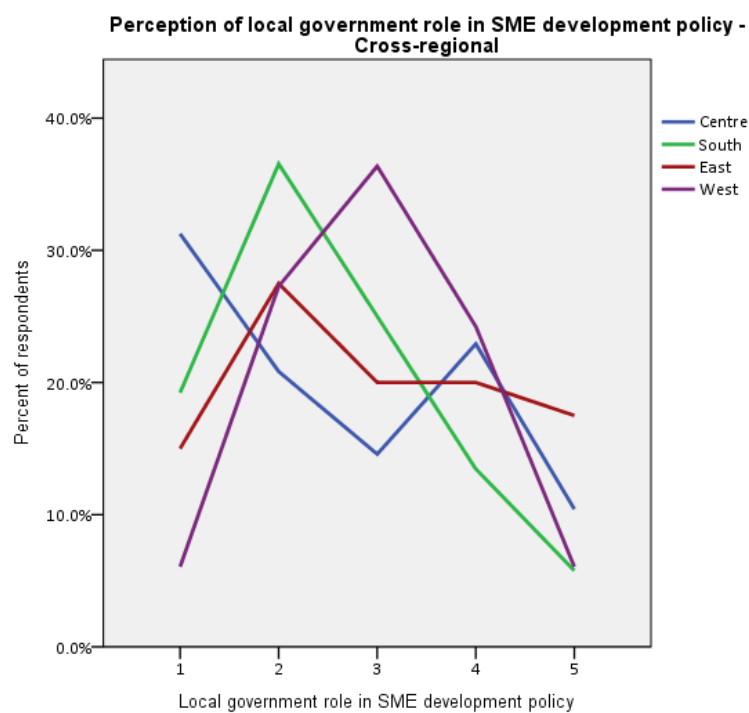
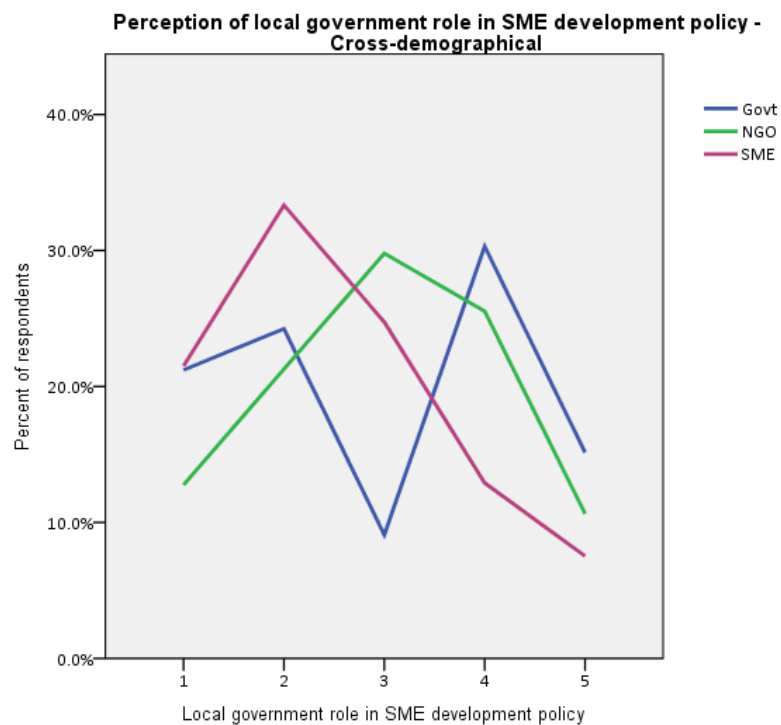


Figure B.9 – Perception of local government role in SME development policy- Cross-demographical⁹³



⁹² Figure B.8 was previously displayed in Chapter 7 as Figure 7.29.

⁹³ Figure B.9 was previously displayed in Chapter 7 as Figure 7.30.

Figure B.10 – Perception of international actor influence on SME development policy- Cross-regional

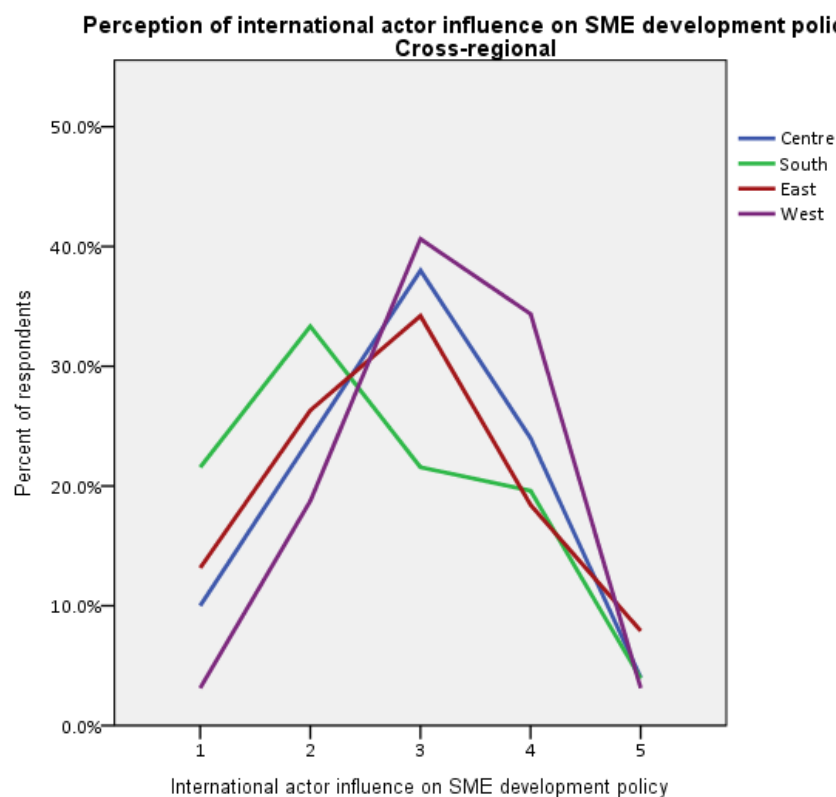
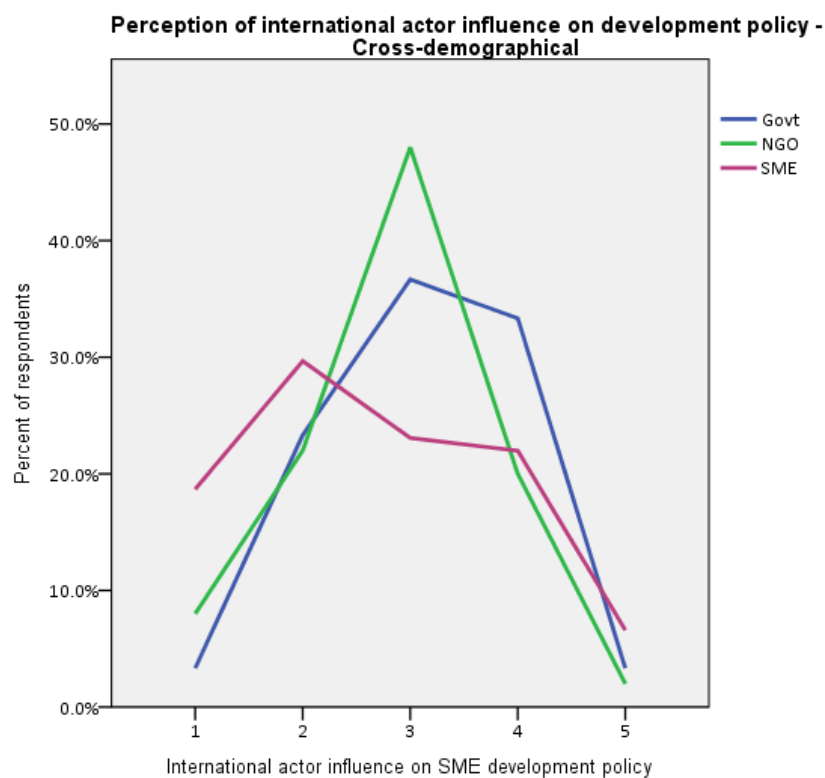


Figure B.11 – Perception of international actor influence on SME development policy- Cross-demographical



Appendix C – Statistical survey data⁹⁴

Table C.1 – Descriptive survey statistics

	Region	Demo	Mean	Std. Deviation	N
Business group and NGO influence on SME tax policy	Centre	Govt	2.50	.837	6
		NGO	2.68	.749	19
		SME	2.50	1.147	20
		Total	2.58	.941	45
	South	Govt	1.83	.753	6
		NGO	2.75	.500	4
		SME	2.00	1.000	39
		Total	2.04	.957	49
	East	Govt	3.83	.408	6
		NGO	2.67	.707	9
		SME	3.05	.826	20
		Total	3.09	.818	35
	West	Govt	2.90	.876	10
		NGO	2.50	.905	12
		SME	3.00	1.118	9
		Total	2.77	.956	31
	Total	Govt	2.79	.995	28
		NGO	2.64	.750	44
		SME	2.45	1.092	88
		Total	2.56	.995	160
Communication levels with business groups and NGOs	Centre	Govt	2.67	.516	6
		NGO	2.79	.535	19
		SME	2.70	1.031	20
		Total	2.73	.780	45
	South	Govt	2.00	.632	6
		NGO	2.75	.957	4
		SME	2.21	.833	39
		Total	2.22	.823	49
	East	Govt	3.67	.516	6
		NGO	2.89	.333	9
		SME	3.15	.988	20
		Total	3.17	.822	35

⁹⁴ The tables in this section reflect a smaller number of surveys (160) than were considered in Chapter 7 (178), as the software used for statistical analysis (IBM SPSS) discounted in entirety any surveys with an unanswered question. As explained in Chapter 7, this thesis only discounted surveys where fewer than three questions were answered.

	West	Govt	2.70	1.160	10
		NGO	2.50	.798	12
		SME	2.44	1.236	9
		Total	2.55	1.028	31
	Total	Govt	2.75	.967	28
		NGO	2.73	.624	44
		SME	2.56	1.015	88
		Total	2.64	.915	160
Business group and NGO influence on SME development policy	Centre	Govt	3.33	1.033	6
		NGO	3.79	.855	19
		SME	3.15	1.182	20
		Total	3.44	1.056	45
	South	Govt	2.17	1.169	6
		NGO	3.50	.577	4
		SME	2.03	1.287	39
		Total	2.16	1.280	49
	East	Govt	3.33	1.033	6
		NGO	4.22	.833	9
		SME	3.20	1.005	20
		Total	3.49	1.040	35
	West	Govt	3.50	1.080	10
		NGO	3.00	.953	12
		SME	3.89	.601	9
		Total	3.42	.958	31
	Total	Govt	3.14	1.145	28
		NGO	3.64	.942	44
		SME	2.74	1.317	88
		Total	3.06	1.250	160
Local government role in SME development policy	Centre	Govt	3.17	1.722	6
		NGO	2.79	1.228	19
		SME	2.15	1.348	20
		Total	2.56	1.374	45
	South	Govt	2.17	1.472	6
		NGO	3.75	.957	4
		SME	2.33	.955	39
		Total	2.43	1.080	49
	East	Govt	3.67	1.033	6
		NGO	3.00	1.414	9
		SME	2.85	1.348	20

		Total	3.03	1.317	35	
	West	Govt	2.50	1.179	10	
		NGO	3.42	.793	12	
		SME	2.78	.667	9	
		Total	2.94	.964	31	
	Total	Govt	2.82	1.389	28	
		NGO	3.09	1.158	44	
		SME	2.45	1.144	88	
		Total	2.69	1.218	160	
	International actor influence on SME development policy	Centre	Govt	3.33	.816	6
			NGO	2.68	.749	19
			SME	2.85	1.182	20
Total			2.84	.976	45	
South		Govt	2.67	1.211	6	
		NGO	3.25	.957	4	
		SME	2.38	1.184	39	
		Total	2.49	1.175	49	
East		Govt	3.00	.894	6	
		NGO	2.44	1.014	9	
		SME	2.85	1.226	20	
		Total	2.77	1.114	35	
West		Govt	3.20	.632	10	
		NGO	3.33	.888	12	
		SME	3.00	1.118	9	
		Total	3.19	.873	31	
Total		Govt	3.07	.858	28	
		NGO	2.86	.905	44	
		SME	2.66	1.193	88	
		Total	2.79	1.072	160	

Table C.2 – Descriptive survey statistics by region

Region		Business group and NGO influence on tax policy	Communication levels with business groups and NGOs	Business group and NGO influence on development policy	Local government role in development policy	International actor influence on SME development policy
Centre	Mean	2.57	2.69	3.47	2.60	2.88
	N	51	51	49	48	50
	Std. Deviation	.922	.787	1.023	1.410	1.023
South	Mean	2.08	2.22	2.19	2.50	2.51
	N	53	51	52	52	51
	Std. Deviation	.958	.808	1.284	1.129	1.155
East	Mean	3.05	3.18	3.45	2.97	2.82
	N	40	39	38	40	38
	Std. Deviation	.846	.885	1.083	1.349	1.136
West	Mean	2.77	2.64	3.45	2.97	3.16
	N	31	33	33	33	32
	Std. Deviation	.956	1.084	.971	1.015	.884
Total	Mean	2.57	2.65	3.08	2.73	2.81
	N	175	174	172	173	171
	Std. Deviation	.986	.936	1.247	1.253	1.081

Table C.3 – Descriptive survey statistics by demographic

Demographic		Business group and NGO influence on tax policy	Communication levels with business groups and NGOs	Business group and NGO influence on development policy	Local government role in development policy	International actor influence on SME development policy
Govt	Mean	2.79	2.81	3.13	2.94	3.10
	N	33	31	32	33	30
	Std. Deviation	1.023	.980	1.157	1.435	.923
NGO	Mean	2.63	2.69	3.65	3.00	2.86
	N	51	51	49	47	50
	Std. Deviation	.747	.707	.903	1.198	.904
SME	Mean	2.45	2.58	2.75	2.52	2.68
	N	91	92	91	93	91
	Std. Deviation	1.078	1.030	1.330	1.185	1.201
Total	Mean	2.57	2.65	3.08	2.73	2.81
	N	175	174	172	173	171
	Std. Deviation	.986	.936	1.247	1.253	1.081

Table C.4 – Tests of between-subjects effects

Source	Dependent Variable ⁹⁵	df ⁹⁶	F	Sig.
Region	Business group and NGO influence on tax policy	3	4.996	.002
	Communication levels with business groups and NGOs	3	5.148	.002
	Business group and NGO influence on development policy	3	4.238	.007
	Local government role in development policy	3	.910	.438
	International actor influence on development policy	3	.945	.421
Demo	Business group and NGO influence on tax policy	2	.199	.820
	Communication levels with business groups and NGOs	2	.307	.736
	Business group and NGO influence on development policy	2	3.255	.041
	Local government role in development policy	2	4.114	.018
	International actor influence on development policy	2	.726	.485
Region *Demo	Business group and NGO influence on tax policy	6	1.680	.130
	Communication levels with business groups and NGOs	6	.831	.548
	Business group and NGO influence on development policy	6	2.315	.036
	Local government role in development policy	6	1.496	.183
	International actor influence on development policy	6	.811	.563

Table C.5 – Case processing summary

	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Business group and NGO influence on SME tax policy*region	175	98.9%	2	1.1%	177	100.0%
Business group and NGO influence on SME tax policy*demographic	175	98.9%	2	1.1%	177	100.0%
Communication levels with business groups and NGOs*region	174	98.3%	3	1.7%	177	100.0%
Communication levels with business groups and NGOs*demographic	174	98.3%	3	1.7%	177	100.0%
Business group and NGO influence on SME development policy*region	172	97.2%	5	2.8%	177	100.0%
Business group and NGO influence on SME development policy*demographic	172	97.2%	5	2.8%	177	100.0%

⁹⁵ Survey question titles have been abbreviated for ease of fit into table⁹⁶ Degrees of freedom

Local government role in SME development policy*region	173	97.7%	4	2.3%	177	100.0%
Local government role in SME development policy*demographic	173	97.7%	4	2.3%	177	100.0%
International actor influence on SME development policy*region	171	96.6%	6	3.4%	177	100.0%
International actor influence on SME development policy*demographic	171	96.6%	6	3.4%	177	100.0%

Appendix D – Ukrainian State Statistical Committee Data

Table D.1 – Small enterprise data in Ukraine from 1991 - 2003

Основні показники розвитку малих підприємств

	Кількість малих підприємств, одиниць	Кількість малих підприємств у розрахунку на 10 тис. осіб наявного населення, одиниць	Середньорічна кількість зайнятих ¹⁾ працівників на малих підприємствах, тис.осіб	Середньорічна кількість найманих ²⁾ працівників на малих підприємствах, тис.осіб	Частка найманих працівників на малих підприємствах у загальній кількості найманих працівників на підприємствах – суб'єктах підприємництва	Частка малих підприємств у загальному обсязі виробленої продукції, робіт, послуг (без ПДВ і акцизу) в цілому по економіці
1991	47084	9	...	1192,4	...	...
1992	67739	13	...	1248,0	...	...
1993	84780	16	...	1231,7	...	...
1994	85799	17	...	1104,3	...	...
1995	96019	19	...	1124,9	...	...
1996	96270	19	...	1178,1	...	...
1997	136238	27	...	1395,5	...	...
1998	173404	35	1585,9	1559,9	12,9	11,3
1999	197127	40	1687,9	1677,5	14,1	11,1
2000	217930	44	1730,4	1709,8	15,1	6,9
2001	233607	48	1818,7	1807,6	17,1	7,3
2002	253791	53	1932,1	1918,5	18,9	7,3
2003	272741	57	2052,2	2034,2	20,9	7,7

1) Включаючи штатних, позаштатних та неоплачуваних (власників, засновників підприємства, та членів їх сімей) працівників.

2) Включаючи штатних та позаштатних працівників.

© Держстат України, 1998-2012
Дата останньої модифікації: 27/01/207

Both tables below come from the website of the State Committee for Statistics of Ukraine (Держстат України, 2007, 2011). In Table D.1, the first column denotes the year, the second column denotes the number of small enterprises, and the third column denotes the number of small enterprises/10,000 people. In Table D.2, the first column denotes the year and the second column denotes the number of small enterprises/10,000, making this column comparable with the third column in Table D.1.

Основні показники розвитку малих підприємств¹

	Кількість підприємств у розрахунку на 10 тис. осіб наявного населення, одиниць	Кількість зайнятих працівників (штатні, позаштатні та неоплачувані працівники), тис. осіб	Кількість найманих працівників (штатні та позаштатні працівники), тис. осіб	Частка найманих працівників на малих підприємствах до їх загальної кількості, %	Частка обсягу реалізованої продукції малих підприємств до загального обсягу реалізації, %	Частка прибутку від звичайної діяльності до оподаткування малих підприємств до загального обсягу прибутку, %	Частка збитків від звичайної діяльності до оподаткування малих підприємств до загального обсягу збитків, %	Частка підприємств, що одержали збитки, до загальної кількості малих підприємств, %
2000	44	1730,4	1709,8	15,1	8,1	12,9	16,3	36,6
2001	48	1818,7	1807,6	17,1	7,1	9,1	17,6	38,1
2002	53	1932,1	1918,5	18,9	6,7	9,3	18,8	38,2
2003	57	2052,2	2034,2	20,9	6,6	9,1	20,6	37,1
2004	60	1978,8	1928,0	20,2	5,3	8,2	25,4	35,5
2005	63	1890,4	1834,2	19,6	5,5	7,9	30,6	35,2
2006	72	2232,3	2158,5	23,5	18,8	17,2	40,2	33,7
2007	76	2231,5	2154,3	23,7	18,1	14,0	42,2	32,8
2008	72	2237,4	2156,8	24,3	16,3	16,5	37,6	37,3
2009	75	2152,0	2067,8	25,3	16,7	22,9	29,0	39,9
2010 ²	63	2073,6	1992,5	25,5	14,2	23,4	30,8	41,4

¹ Дані наведено без урахування результатів діяльності банків, фермерських господарств та бюджетних установ.

За 2006-2010 роки дані розраховано відповідно до Господарського кодексу України в редакції від 18.09.2008.

² Інформація сформована по підприємствах, які за даними Реєстру статистичних одиниць визначені економічно активними (мають найманих працівників та/або здійснюють реалізацію продукції, робіт, послуг).

© Держстат України, 1998-2012
Дата останньої модифікації: 20/10/111

References Cited

- Держстат України. (2007). *Основні показники розвитку малих підприємств 1991-2003*. Retrieved from http://www.ukrstat.gov.ua/operativ/operativ2005/sze/sze_ric/mp/mp_u/2002.htm on 2 September 2014.
- Держстат України. (2011). *Основні показники розвитку малих підприємств 2000-2010*. Retrieved from http://ukrstat.org/uk/operativ/operativ2006/sze/sze_ric/mp/mp_u/2005.htm on 2 September 2014.